
ATLANTIC CITY
THE AMERICAN ASS'N OF PUBLIC ACCOUNTANTS 1887
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THE AMERICAN ASSOCIATION OF PUBLIC ACCOUNTANTS

TWENTY-FIRST ANNIVERSARY

YEAR—BOOK

[Incorporated under the Laws and Statutes of the State of New York]

Constitution and By-Laws. Model C. P. A. Law. Officers, Committees, Trustees, and Members. Proceedings of the Annual Meeting at Atlantic City, N. J., October Twentieth—Twenty Second, Nineteen Hundred and Eight



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Introductory Note.

While education is naturally the theme which runs through the annual meeting of the association; yet it is not in this instance simply University teaching, although reports from that source are ample; but it is the practical education of the accountant which has been brought before the members, by the presentation of most instructive papers concerning vital and debatable questions of the day, and in which the most able exponents of the profession have taken part.

The social functions have also been delightfully reported.

The "Coming of Age" of the Association, with visitors from over the border and across the seas, has been altogether an event in the history of accountancy in the United States, and this history is committed to the members with very strong feelings of enthusiasm and kind regards.

Secretary.

Secretary's Office in New York, 56 Pine Street.
Telephone 4264 John.
January, 1909.

Certificate of Incorporation.

STATE OF NEW YORK,
City and County of New York, } ss.:

Be it known, that we:

ROBERT L. FABIAN of New York City,
JAMES YALDEN, "
WM. CALHOUN, "
WALTER H. P. VEYSEY, "
MARK C. MIRICK, "
CHARLES H. W. SIBLEY, "
RODNEY MCLAUGHLIN of Boston, Mass.
JOHN HEINS of Philadelphia, Pa.,

being persons of full age and citizens of the United States, and the majority being also citizens of the State of New York, desiring to associate ourselves for social and benefit purposes, do hereby certify in writing, as follows, to wit:

First.—That the name or title by which such society shall be known in law is

"THE AMERICAN ASSOCIATION OF PUBLIC ACCOUNTANTS."

Second.—The particular business and object of such society is to associate into a society or guild for their mutual benefit and advantage the best and most capable public accountants practicing in the United States; and through such association to elevate the profession of public accountants as a whole, and to promote the efficiency and usefulness of members of such society, by compelling the observance of strict rules of conduct as a condition of membership and by establishing a high standard of professional attainments through general education and knowledge and otherwise; and to transact such business as may be necessary and incident to the establishment and conduct of an association for the foregoing purpose.

Third.—The number of trustees, directors or managers to manage the same shall be eight, and the name of the trustees, directors or managers for the first year of its existence are as follows, viz.:

Robert L. Fabian, James Yalden, Wm. Calhoun, Walter H. P. Veysey, Mark C. Mirick, Charles H. W. Sibley, Rodney McLaughlin and John Heins.

Fourth.—The district in which the principal office of such company or association shall be located is in the City, County and State of New York.

In testimony whereof we have made and signed the foregoing certificate this twentieth day of August, in the year one thousand eight hundred and eighty-seven.

(Signed) J. YALDEN,
JOHN HEINS,
WALTER H. P. VEYSEY,
M. C. MIRICK,
C. H. W. SIBLEY,
ROBT. L. FABIAN,
WM. CALHOUN,
RODNEY MCLAUGHLIN.

STATE OF NEW YORK,
City and County of New York, } ss.:

I, Charles Donohue, Justice of the Supreme Court of the State of New York, certify that the foregoing certificate has been submitted to, and examined by me, and is properly drawn and signed, and that the same is in conformity with the constitution and laws of this state, and that the purpose for which the society or club is to be incorporated is not repugnant to any statute of this state, or prohibited thereby; and the same is hereby approved and the filing of this certificate consented to.

In testimony whereof, I have hereunto set my hand this 20th day of September, A. D. 1887.

(Signed) C. DONOHUE.

STATE OF NEW YORK,
City and County of New York, } ss.:

I, James A. Flack, clerk of the said city and county, and clerk of the Supreme Court of the said state for said county, do certify that I have compared the preceding with the original certificate of incorporation of The American Association of Public Accountants on file in my office, and that the same is a correct duplicate therefrom, and of the whole of such original.

Indorsed, filed and recorded, 20th September, 1887.

In witness whereof, I have hereunto subscribed my name and affixed my official seal, this 20th day of September, 1887.

(Signed) JAMES A. FLACK,
[SEAL.] *Clerk.*

STATE OF NEW YORK,
Office of the Secretary of State, } ss.:

I have compared the preceding with the duplicate original certificate of incorporation of The American Association of Public Accountants, with acknowledgments thereto annexed, filed and recorded in this office on the twenty-second day of September, 1887, and do hereby certify the same to be a correct transcript therefrom, and of the whole of the said duplicate original.

Witness my hand and the seal of the office of the Secretary of State, at the City of Albany, this 22d day of September, one thousand eight hundred and eighty-seven.

(Signed) FREDERICK COOK,
Secretary of State.

[L. S.]

THE AMERICAN ASSOCIATION OF PUBLIC ACCOUNTANTS.
PAST PRESIDENTS.

*James Yalden	1888, 1892
*John Heins	1889, 1890, 1891
Henry R. M. Cook	1893
Richard F. Stevens	1894, 1895, 1896
Frank Broaker	1897
W. Sanders Davies	1898
David Rollo	1899
Leonard H. Conant	1900, 1901
Fredinand W. Lafrentz	1902, 1903
John R. Loomis	1904, 1905, 1906
Elijah W. Sells	1907, 1908

* Now deceased.

Obituary.

FRANKLIN ALLEN, C. P. A.

Died February 27th, 1909.

At the last moment before going to press, the Executive Committee have great sorrow in reporting the death on 27th February, 1909, of their esteemed colleague, Franklin Allen, C. P. A.

Mr. Allen was elected a member of the Association on March 25th, 1897. He became a member of the Board of Trustees on 15th January, 1901, and has served continuously in that capacity. He was re-elected at the Annual Meeting, held at Atlantic City, in October, 1908, for a further term of three years, and was re-appointed a member of the Executive Committee at the same time. In addition to these, he was a member of the Review of Appropriations-Budget Committee.

J. E. STERRETT, *President.*
THOS. CULLEN ROBERTS, *Secretary.*

March 1st, 1909.

The American Association of Public Accountants.

List of Officers, Trustees and Committees
1908-1909

OFFICERS.

President, J. E. STERRETT, C. P. A. ..... Pennsylvania.
Secretary, T. CULLEN ROBERTS, C. P. A. ..... New Jersey.
Treasurer, H. T. WESTERMANN, C. P. A. ..... Missouri.

Vice-Presidents:

California Society of Certified Public Accountants,
J. R. RUCKSTELL, C. P. A. ..... 306-308 Call Bldg., San Francisco.
Colorado Society of Certified Public Accountants, The,
FERMOR J. SPENCER, C. P. A. ..... 707 Continental Trust Co., Denver.
Connecticut Society of Certified Public Accountants,
HARRY TREAT BEERS, C. P. A. ..... 42 Church St., New Haven.
Georgia State Association of Public Accountants,
A. J. HALTIWANGER, C. P. A. ..... Atlanta.
Illinois Society of Certified Public Accountants,
W. ERNEST SEATREE, C. P. A. ..... 1730 Tribune Bldg., Chicago.
Kentucky Society of Public Accountants,
BEN C. WEAVER ..... Columbia Bldg., Louisville.
Louisiana Certified Public Accountants of,
EMILE BIENVENUE, C. P. A. ..... Tulane-Newcomb Bldg., New Orleans.
Maryland Association of Certified Public Accountants,
CHAS. O. HALL, C. P. A. ..... 711 Fidelity Bldg., Baltimore.
Massachusetts, Incorporated Public Accountants of
WM. C. NEWELL ..... Journal Bldg., Boston.
Michigan Association of Certified Public Accountants,
W. H. BROOK, C. P. A. ..... Majestic Bldg., Detroit.
Minnesota Society of Public Accountants,
HERBERT M. TEMPLE, C. P. A. ..... 602 Germania Life Bldg., St. Paul.
Missouri Society of Public Accountants,
GEO. O. MAY, C. P. A. ..... 54 William St., New York City.
New Jersey, Certified Public Accountants of the State of,
EDWIN ELLETT GANO, C. P. A. ..... 115 Broadway, New York City.
New York State Society of Certified Public Accountants,
JOHN R. LOOMIS, C. P. A. ..... 30 Broad St., New York City.
Ohio State Society of Public Accountants, The
CARL H. NAU, C. P. A. ..... 319 Superior Ave., Cleveland.
Oregon State Society of Public Accountants,
W. R. MACKENZIE, C. P. A. ..... 208 Worcester Block, Portland.
Pennsylvania Institute of Certified Public Accountants,
CHAS. N. VOLLUM, C. P. A. ..... 907 Betz Bldg., Philadelphia.
Rhode Island Society of Certified Public Accountants,
FRED. W. BARNEY, C. P. A. ..... 35 Irving Ave., Providence.
Tennessee Society of Public Accountants,
EDWARD S. ELLIOTT ..... Memphis.
Washington Society of Certified Public Accountants,
GEO. SHEDDEN, C. P. A. ..... Natl. Bank of Commerce, Tacoma.

AUDITORS.

H. A. KELLER, C. P. A. ..... Ohio. ALEXANDER E. FOWLIE, C. P. A. ..... Colorado.

TRUSTEES.

ELMER B. YALE, C. P. A.	New Jersey	For One Year.
FRANK BROAKER, C. P. A.	New York	
JOHN A. COOPER, C. P. A.	Illinois	
HARVEY S. CHASE, C. P. A.	Massachusetts	For Two Years.
J. P. JOPLIN, C. P. A.	Illinois	
J. S. M. GOODLOE, C. P. A.	Ohio	
*FRANKLIN ALLEN, C. P. A.	Member-at-Large	For Three Years.
ROBT. H. MONTGOMERY, C. P. A.	Pennsylvania	
E. W. SELLS, C. P. A.	New York	

*Died February 27, 1909.

STANDING COMMITTEES.

EXECUTIVE:
The President, Chairman.....Pennsylvania
The Secretary.....New Jersey
The Treasurer.....Missouri
*Franklin Allen.....New York
John R. Loomis.....New York
R. H. Montgomery.....Pennsylvania
Harvey S. Chase.....Massachusetts

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Wm. M. Lybrand.....Pennsylvania
H. A. Dunn.....New York

BY-LAWS:
Thos. L. Berry, Chairman.....Maryland
E. L. Suffern.....New York
W. A. Chase.....Illinois

MEETINGS, LECTURES, LIBRARY, AND BULLETINS:
Ernest Reckitt, Chairman.....Illinois
The President of each State Society

LEGISLATION:
Herbert M. Temple, Chairman....Minnesota
Chas. N. Vollum.....Pennsylvania
J. A. Cooper.....Illinois

JOURNAL:
A. L. Dickinson, Chairman.....Illinois
J. A. Cooper.....Illinois
L. H. Conant.....New York

REVIEW OF APPROPRIATIONS—BUDGET:
*Franklin Allen, Chairman.....New York
Wm. C. Newell.....Massachusetts
John E. Cooper.....New Jersey

SPECIAL COMMITTEES.

ANNUAL MEETING—1909:
Alex. E. Fowlie, Chairman.....Colorado
J. P. Joplin.....Illinois
H. T. Westermann.....Missouri

YEAR BOOK, 1908:
A. A. Ross, Jr., Chairman.....Pennsylvania
J. R. Loomis.....New York
T. Cullen Roberts.....New Jersey

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Henry A. Niles, Chairman.....New York
E. W. Sells.....New York
Arthur W. Teele.....New York
John R. Loomis.....New York
Francis F. White.....Ohio

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A. L. Dickinson.....Illinois
S. R. Mitchell.....New York

PROFESSIONAL ETHICS:
J. A. Cooper, Chairman.....Illinois
E. G. Shorrock.....Washington
Joel Hunter.....Georgia

PRESS AND PUBLICITY:
F. J. Spencer, Chairman.....Colorado
P. W. Pogson.....New York
A. R. Smart.....Illinois

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A. R. Smart.....Illinois
W. R. Mackenzie.....Oregon

EDUCATION:
Seymour Walton, Chairman.....Illinois
H. G. Stockwell.....Pennsylvania
J. N. Gunn.....New York
H. T. Westermann.....Missouri

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Norman E. Webster, Jr.....Michigan
Chas. L. Hehl.....Maryland
F. Bromley Jansen.....California
E. R. Harper.....Colorado
Joel Hunter.....Georgia
A. L. Dickinson.....Illinois
Chas. O. Hall.....Maryland
Thomas S. Spurr.....Massachusetts
H. C. Beck.....Michigan
N. B. Hinckley.....Minnesota
H. T. Westermann.....Missouri
F. G. DuBois.....New Jersey
H. R. M. Cook.....New York
J. H. Kauffman.....Ohio
Chas. N. Vollum.....Pennsylvania
E. S. Elliott.....Tennessee
E. G. Shorrock.....Washington

STANDARD SCHEDULES FOR UNIFORM REPORTS OF Municipal Industries and Public Service Corporations:
Harvey S. Chase, Chairman.Massachusetts
Duncan MacInnes.....New York
L. H. Conant.....New York
J. S. M. Goodloe.....Ohio
S. R. Mitchell.....New York
J. B. Niven.....New York

UNIFORM BANK VOUCHER CHECK:
E. L. Suffern, Chairman.....New York
H. A. Dunn.....New York
Guy H. Kennedy.....Ohio
A. R. Smart.....Illinois
Wm. M. Lybrand.....Pennsylvania

BANKER'S CREDIT INFORMATION:
R. H. Montgomery, Chairman, Pennsylvania
J. P. Joplin.....Illinois
Guy H. Kennedy.....Ohio

There is a provision for an Arbitration Board which will be appointed as occasion may arise

*Died February 27, 1909.

Members.

MEMBERS.

Those marked with an asterisk are Certified Public Accountants.

FELLOWS.

FELLOWS, at LARGE—(Original).

Members at Large.

*ADERER, ALEXANDER .....565 Broadway, New York City
*ALLEN, FRANKLIN .....487 Broadway, New York City
*ALLEN, GEO. R.....29 Weybosset St., Providence, R. I.
*ARCHER, JOHN P.....9 E. 22d St., New York City

BABCOCK, H. N.....309 McBride St., Syracuse, N. Y.
*BALLINGALL, PETER.....Drexel Bldg., Philadelphia, Pa.
*BAYNE, ROBERT.....34 Nassau St., New York City
*BECK, F. E.....200 Sansome St., San Francisco, Cal.
BOURNE, CHAS. G.....52 Broadway, New York City
*BROAKER, FRANK.....150 Nassau St., New York City
*BROWN, ROBERT R.....100 Broadway, New York City
*CAMPBELL, HUDSON.....39 Cortlandt St., New York City
CLARK, THOS. R.....49 Wall St., New York City
*CLARKE, ANDREW A.....10 Wall St., New York City
*COCHEU, THEO., JR.....100 Broadway, New York City
*CONANT, E. R.....215 Main Ave., Passaic, N. J.
*CONANT, LEONARD H.....30 Broad St., New York City
*COOK, HENRY R. M.....Fifty-ninth St. and Park Ave., New York City
*CORWIN, HAMILTON S.....30 Broad St., New York City

*DECKER, HIRAM E.....205 La Salle St., Chicago, Ill.
*DIXCY, THOS. BIRD .....72 Trinity Place, New York City
DOUGLAS, HARRY J.....Lowman Bldg., Seattle, Wash.
*DUBOIS, FRANK G.....781 Broad St. Newark, N. J.
DUNCAN, ERNEST A.....Victoria, B. C.
DREYER RUDOLPH H.....P. O. Box 1101, San Diego, Cal.

*FALLER L. V.....226 Union Ave, Rutherford, N. J.
*FERO, DEROY SMITH.....30 Broad St., New York City

GIBBS, WM. E.....Westfield, Mass.
*GIES, FRED. THEO.....723 Majestic Bldg., Detroit, Mich.
*GRANT, JAMES.....Machesney Bldg., Pittsburgh, Pa.
GREET, R. DOUGLAS.....Old South Bldg., Washington St., Boston, Mass.
*GUNNELL, WM. J.....80 Dun Bldg., Buffalo, N. Y.

*HARCOURT, VIVIAN.....Edificio La Mutua, No. 522, Mexico, D. F.
*HAWKINS, NORVAL A.....723 Majestic Bldg., Detroit, Mich.
*HERRICK, LESTER.....Merchants Exchange Bldg., San Francisco, Cal.
HIGHLEY, CHAS. A.....Atlanta, Ga.
*HUTCHINSON, THOS. G.....Dyal-Upchurch Bldg., Jacksonville, Fla.

*JENCKES, CHAS. S.....810 Industrial Trust Bldg., Providence, R. I.

*KERR, J. C.....141 Broadway, New York City

*LAFRENTZ, F. W.....100 Broadway, New York City
LAMB, FAYETTE C.....534 Macon Bldg., Los Angeles, Cal.
*LAWTON, GEO. R.....Box 159, Fall River, Mass.

†Died February 27, 1909.

*Leidersdorf, S. D.....565 Broadway, New York City
*Leith, John.....159 La Salle St., Chicago, Ill.
*Little, Albert E. .....2 Rector St., New York City
*Little, G. Elliot.....2 Rector St., New York City
Lobb, H. W.....Monadnock Bldg, San Francisco, Cal.
*Loomis, J. R.....30 Broad St., New York City
*Ludlam Chas. S.....30 Broad St., New York City

*MacInnes, Duncan.....320 Broadway, New York City
*MacRae, Farquhar J.....68 William St., New York City
*McCulloh, Chas. S.....43 Exchange Place, New York City
*McGibbon, Brownell.....44 Pearl St., New York City

Manwaring, Giles .....100 Broadway, New York City
*Mason, Jarvis W.....100 Broadway, New York City

*Niles, Henry A.....111 Broadway, New York City

*Phelps, Chas. D.....143 Liberty St., New York City
Plant, W. E.....1419 Pierce Bldg., St. Louis, Mo.

Raudenbush, J. K.....239 Cumberland St., Lebanon, Pa.
*Roberts, T. Cullen.....56 Pine St., New York City
*Rollo, David.....Betts Brewery, Philadelphia, Pa.
*Rucker, R. H.....27 Pine St., New York City

*Sanford, F. H.....43 Cedar St., New York City
*Sells, Elijah W.....30 Broad St., New York City
*Smith, Arthur W.....25 Broad St., New York City
*Smith, Chas. B.....45 Broadway, New York City
*Stevenson, Chas. C.....31 Nassau St., New York City

*Teichmann, Max.....800 Equitable Bldg., Baltimore
*Thomas, Chas.....52 DeForest Ave., Summit, N. J.

*Vaughan, John.....413 Fourth Ave., Pittsburgh, Pa.

*Walker, A. Percy.....49 Wall St., New York City
Walters, Chas. W.....Drexel Bldg., Philadelphia, Pa.
*Watson, Wm. A.....9 Richards St., Brooklyn, N. Y.
*Weiss, Wm. F.....128 Broadway, New York City
Wittenberg, Frank.....204 Louisana St., Little Rock, Ark.
Woodward, R. G.....25 Broad St., New York City
Total, 76.

FELLOWS at LARGE (Elected since Jan. 10, 1905).

Austin, Wm. Gaines.....8 So. Bayou St., Mobile, Ala.

Black, Geo.....318 Worcester Bldg., Portland, Ore.
*Bonner, W. J.....292 E. 3d St., Brooklyn, N. Y.
*Burlingame, C. M.....253 Broadway, New York City

Cannon, Thos. Chas.....201 Security Bank Bldg., Sioux City, Ia.

Dix, Samuel M.....31 Nassau Street, New York City

FISCHER, EMIL S.....Tien-Tsin, North China
FOSTER, WILLIAM H.....149 Broadway, New York City

*GUNN, J. NEWTON.....43 Exchange Place, New York City

HALL, F. N.....146 Broadway, New York City
HARRIS, CHAS. G.....Union Natl. Bank Bldg., Louisville, Ky.
HOGG, ALFRED W. D.....37 Maiden Lane, New York City

JAMESON, CHAS. M.....68 William St., New York City

KENWORTHY, ARTHUR W.....115 Broadway, New York City

LESLIE, WILLIAM.....64 Wall St., New York City
LYNNE, WILLIAM C.....80 Wall St., New York City

MACLETCHIE, JOHN .....42 Broadway, New York City
*MARWICK, JAMES.....79 Wall St., New York City

*NASMYTH, CHAS. J.....111 Broadway, New York City
NOLAN, LUKE J.....25 Pine Street, New York City

*RICHARDS, WILLIS B.....43 Exchange Place, New York City
*ROSS, FREDERICK A.....135 Temple St., Minneapolis, Minn.

SCHNEIDER, HENRY.....612 Railway Exchange, Milwaukee, Wis.
SPENCER, ENOS.....301 Union Natl .Bank Bldg., Louisville, Ky.

TURNER, THOS.E.....301 Union Natl. Bank Bldg., Louisville, Ky.
YALDEN, PERCY A.....32 Nassau St., New York City
Total 26.

ASSOCIATES at LARGE (Original).

BULL, H. J.....244 W. 149th St., New York City

COADE, WM. HENRY .....60 Wall St., New York City

*ENTHOVEN, EDWARD J.....54 William St., New York City

FORSDICK, CHAS. E.....30 Broad St., New York City

*GAYNOR, PHILIP B.....43 Cedar Street, New York City
GREACEN, ALBERT.....30 Broad Street, New York City

*HERINGTON, PERCY R.....1123 Broadway, New York City

JACOBSON, GUSTAVE.....932 Reed Place, Chicago, Ill.
*JASPER, W. H.....1123 Broadway, New York City

KERR, JOHN F.....100 Broadway, New York City

LATHAM, WILLIAM HENRY...543 West Twenty-third St., New York City
*LOVEJOY, ERNEST W.....54 William St., New York City

MITCHELL, JOSIAH S.....149 Broadway New York City

ROBERTS, C. CULLEN.....1203 Garden St., Hoboken, N. J.

SANFORD, D. R.....100 Broadway, New York City
SCOVILLE, C. E.....Chester, Conn.

WEISS, CLEMENS.....Fifth Ave. and Thirty-third St., New York City
WEST, CHARLES.....Connell Bldg., Scranton, Pa
Total, 18.

ASSOCIATES at LARGE (Elected since Jan. 10, 1905).

BOWMAN, ARCHIBALD.....79 Wall St., New York City
BUSH, GEO. E.....West Thirteenth St., New York City

DOHERTY, JOHN.....220 West 121st St., New York City

FEIGENBAUM, MAURICE.....27 East Twenty-second St., New York City

HART, PATRICK HENRY.....261 Broadway, New York City
HILTON, WILLIAM P.....313 Monticello Arcade, Norfolk, Va.
HOUGH, HARRY.....54 William St., New York City

KERR, DAVID S.....248 Fourth Ave., Pittsburgh, Pa.

LONGNECKER, CLARENCE.....City National Bank Bldg., El Paso, Tex.

RAE, ALEX. C.....406 McKay Bldg., Portland Ore.
RARESHIDE, SHEPARD.....30 Broad St., New York City
RUARK, JAMES F.....27 East Twenty-second St., New York City
RUSSELL, WILLIAM A.....Harrisburg, Pa.

THURSTON, THOMAS A.....City National Bank Bldg., El Paso, Tex.

WILSON, JAMES MOORE.....108 Harris St., Rochester, N. Y.
Total, 15.

SOCIETY FELLOWS.

California Society of Certified Public Accountants, Inc.

*AMRATH, J. W.....441 Monadnock Bldg., San Francisco
*ATKINSON, T. E.....340 Sansome St., San Francisco
*ATKINSON, T. T.....251 Kearny St., San Francisco
*BLACKMAN, W. R.....206 Henne Bldg., Los Angeles
*CLAIRMONT, R. DE.....126 West Thirtieth St., Los Angeles
*CORNELL, CHAS. E.....35 Bella Vista Ave., Oakland
*DAUGHERTY, W. B.....144 South Sutter St., Stockton
*FOSTER, J. F.....743 Pacific Bldg., San Francisco
*FORBES, JOHN F.....601 Kohl Bldg., San Francisco
*GREENHOOD, L. H.....441 Monadnock Bldg., San Francisco
*HARRIES, JULIAN B.....Mill Valley, California
*HASSELL, J. J.....306 Call Bldg., San Francisco
*HENN, W. O.....1830 San Jose Ave., Alameda
*JANSEN, F. BROMELY.....441 Monadnock Bldg, San Francisco
*KLINK, GEO. T.....817 Kohl Bldg., San Francisco
*LANGDON, W. G.....238 William St., New York City
*PLATT, ALFRED G.....Union League Club, San Francisco
*RAHILL, J. J.....Box 257, Berkeley
*RUCKSTELL, J. R.....308 Call Bldg., San Francisco
*ROWE, C. V.....502 Kohl Bldg., San Francisco

*SMYTH, THOS. W.....861 Broadway, Oakland
*THOMPSON, CHAS. F.....519 Temple St., Oakland
*WILLIAMS, CYRIL.....1015 Scott St., San Francisco
Curry, Hon. Chas......Honorary Member.....Sacramento
Dam Cleveland L......Honorary Member.....San Francisco
**Wilkinson, Geo.*.....Honorary Member.....New York City
Total, 26.

Colorado Society of Certified Public Accountants.

*ARTHUR, EDWIN F.....707 Continental Trust Co., Denver
*BAKER, JOHN H.....Colorado Springs
*DEIDESHEIMER, FREDERICK W.....17 Commercial Bldg., Denver
*FINK, ELWOOD.....204 Coronado Bldg., Denver
*FOWLIE, ALEXANDER E.....630 Symes Bldg., Denver
*GEIJSBEEK, JOHN B.....806 Equitable Bldg., Denver
*HAMMA, MORTON M.....850 Equitable Bldg., Denver
*HUMPHREYS, WILLIAM E.....504 Colorado Bldg., Denver
*KERN, ETHELBERT L.....Box 333, Denver
*KINGWILL, JOSEPH H.....1654 Broadway, Denver
*KRAUSE, GUSTAV.....Box 123, Denver
*LOUGHBOM, WILLIAM C.....Port Collins
*MILLER, ALBERT A.....Box 159, Denver
*MITCHELL, HORACE H.....Colorado Springs
*MCMAHON, FRANCIS M.....Colorado Springs
*MULNIX, HARRY E.....213 Symes Bldg., Denver
*PFEIFFER, EMIL W.....850 Equitable Bldg., Denver
*PITCAITHLY, WILSON L.....Continental Bldg., Denver
*SMITH, ORVILLE A.....Iron Bldg., Denver
*SPENCER, FERMOR J.....Continental Bldg., Denver
*STUMM, GUY C.....Idaho Springs
*WALLACE, ROBERT J.....1739 Champa St., Denver
Harper, E. R......Honorary Member..State Capitol, Denver
Bohn, A. V......Honorary Member.....Leadville
**Chase, Harvey S.*.....Honorary Member.....Boston, Mass
**Wilkinson, Geo.*.....Honorary Member.....Plainfield, N. J.
Parker, A. D......Honorary Member.....Col. & So. Ry. Co.
Total, 27.

Connecticut Society of Certified Public Accountants.

*BEERS, HARRY TREAT.....42 Church St., New Haven
*BOWMAN, JOHN HALL.....New Haven House, New Haven
*CHILD, FREDERICK WILLIS.....Greenwich
*ERSKINE, ALBERT RUSSELL.....9 Murray St., New York City
*FOSTER, HERBERT.....318 Humphrey St., New Haven
*MANVEL, FREDERICK C.....Waterbury
*TAYLOR, FRANK S.....Beacon Ave., New Haven
*WILSON, CHARLES C.....146 Fairview Ave., Bridgeport
Total, 8.

Georgia State Association of Public Accountants.

BIDWELL, C. B.....Atlanta
DIBBLE, W. J.....Atlanta
HALTIWANGER, A. J.....Candler Bldg., Atlanta
HIGHLEY, C. H.....Augusta
HUNTER, JOEL.....1220 Empire Bldg., Atlanta
MARSH, R. P.....Savannah

METZ, CHARLES J.....Atlanta
NASH, H. G. A.....Savannah
RICHARDSON, ALONZO.....Atlanta
SHELDON, W. B.....202 Candler Bldg., Atlanta
Total, 10.

Illinois Society of Certified Public Accountants.

*ALLEN, EDWARD.....Hibernia Bank Bldg., New Orleans, La.
*BENINGTON, HAROLD.....802 Marquette Bldg Chicago
*BENTLEY, ARTHUR.....1647 Commercial National Bank Bldg., Chicago
*BERGER, R. O.....54 William St., New York City
*BOUGHEY, FRANK M.....834 First National Bank Bldg., Chicago
*BROWN, JOHN H.....119 Monroe St., Chicago
*BUCHANAN, R. S.....189 La Salle St., Chicago
*CANT, RODDAM.....824 Monadnock Bldg., Chicago
*CHASE, W. A.....First National Bank Bldg., Chicago
*COOPER, JOHN ALEX.....119 Monroe St., Chicago
*CULLEN, W. H.....1302 Hartford Bldg., Chicago
*DICKINSON, A. LOWES.....54 William St., New York City
*DIRKS, HERMAN J.....802 Marquette Bldg., Chicago
*FRAZER, EDWARD.....1106 Commerce Bldg., Kansas City, Mo.
*GORE, EDWARD E.....824 Monadnock Block Chicago
*GREIG, A. F. RATTRAY.....87 Lake St., Chicago
*HUGHES, RUPERT S.....25 Broad St., New York City
*HUNT, S. WADE.....706 Marquette Bldg., Chicago
*JACKSON, H. J.....59 Dearborn St., Chicago
*JOHNSON, PAUL .....Tribune Bldg., Chicago
*JONES, D. O.....824 Monadnock Block, Chicago
*JOPLIN, J. PORTER.....189 La Salle St., Chicago
*KNISELY, C. W.....119 Monroe St., Chicago
*KUHNS, M. S.....159 La Salle St., Chicago
*LAURIE, JOHN .....54 William St., New York City
*LEITH, JOHN.....159 La Salle St., Chicago
*LUDLAM, CHAS. S.....30 Broad St., New York City
*LEVI, D. J.....189 La Salle St., Chicago
*MACDONALD, C. A.....337 Postal Telegraph Bldg., Chicago
*MACDONALD, R. O.....824 Monadnock Block, Chicago
*MCGREGOR, J. P.....First National Bank Bldg., Chicago
*MCKEAND, C. A.....824 Monadnock Block, Chicago
*MILLARD, HENRY.....40 Dearborn St., Chicago
*MARR, CHARLES J.....1730 Tribune Bldg., Chicago
*MAY, GEO. O.....54 William St., New York City
*MERRILL, C. D.....824 Monadnock Block, Chicago
*NELSON, ROBERT.....135 Adams St., Chicago
*NIGG, C.....Schiller Bldg., Chicago
*NIVEN, JOHN B.....30 Broad St., New York City
*PARKE, F. K.....119 Monroe St., Chicago
*PHILLIPPS, H. G.....609 First National Bank Bldg., Chicago
*PICKETT, L. S.....Tribune Bldg., Chicago
*REAY, WILLIAM M.....234 Michigan Ave., Chicago
*RECKITT, ERNEST.....802 Marquette Bldg., Chicago
*ROBERTS, WILLIAM H.....824 Monadnock Block, Chicago
*RUGG, ALBERT W.....802 Marquette Bldg., Chicago
*SCHELTES, S. A.....802 Marquette Bldg., Chicago
*SEATREE, W. ERNEST.....1730 Tribune Bldg., Chicago
*SELLS, ELIJAH W.....30 Broad St., New York City
*SMART, ALLEN R.....824 Monadnock Block, Chicago
*SPENCE, A. PYOTT.....25 Broad St., New York City

*Sprung, F. W.....Grinnel, Ia.
*Stallings, A. J.....Hibernia Bank Bldg., New Orleans, La.
*Stanley, Edward.....Sherman, Tex.
*Thompson, W. W.....100 Washington St., Chicago
*Tod, A. Kinnaird.....79 Wall St., New York City
*Turville, Geo. A.....Pittsburgh, Pa.
*Vaughan, A. S.....Marquette Bldg., Chicago
*Walton, Seymour.....189 La Salle St., Chicago
*Webster, Geo. R.....Monadnock Block, San Francisco, Cal.
*White, F. F.....49 Wall St., New York City
*Wilmot, H. W.....54 William St., New York City
*Young, Arthur.....Monadnock Block, Chicago
**Wilkinson, Geo.*.....Honorary Member.....New York City
Total, 64.

Kentucky Association of Public Accountants.

Baird, James W.....1345 Cherokee Drive, Louisville
Banta, Chas. W.....611 Columbia Bldg., Louisville
Comingor, L.....407 Urban Bldg., Louisville
Dryden, T. W.....Second and Walnut Sts., Louisville
Harris, Chas. G.....Union National Bank Bldg., Louisville
Meldrum, Overton S.....514 Keller Bldg., Louisville
Parker, W. S.....Ills Life Bldg., Louisville
Spencer, Enos.....Union National Bank Bldg., Louisville
Schwartz, G. W.....Second and Walnut Sts., Louisville
Turner, Thomas E.....Union National Bank Bldg., Louisville
Weaver, Ben. C.....611 Columbia Bldg., Louisville
Weaver, B. Perry.....611 Columbia Bldg., Louisville
Weaver, W. L.....611 Columbia Bldg., Louisville
Woods, John S.....Franklin Bank, Louisville, Ky
Total, 14.

Louisana, Certified Public Accountants of

Bienvenu, Emile .....Tulane-Newcomb Bldg., New Orleans
Hart, Alex A.....Tulane-Newcomb Bldg., New Orleans
Rapier, E. S.....325 North Charles St., New Orleans
Soule Geo. S.....Commercial Institute, New Orleans
Total, 4.

Maryland Association of Certified Public Accountants

*Atkinson, Alfred.....100 South Street, Baltimore
*Berry, Thomas L.....Fidelity Bldg., Baltimore
*Blacklock, Frank.....Law Bldg., Baltimore
*Brauns, Fred. L.....418 East Platt St., Baltimore
*Browning, R. M.....21 West Fayette St., Baltimore
*Dodd, Alexander.....203 St. Paul St., Baltimore
*Evans, Clarence R.....3 East Fayette St., Baltimore
*Faller, L. V.....226 Union Ave., Rutherford, N. J.
*Feuss, Andrew C.....1004 W. Lafayette Ave., Baltimore
*Greenway, Eugene.....Calvert Bldg., Baltimore
*Hall, Clayton C.....8 South St., Baltimore
*Hall, Charles O.....711 Fidelity Bldg., Baltimore
*Hehl, Charles L.....1027 Calvert Bldg., Baltimore
*Kuchler, John C.....1027 Calvert Bldg., Baltimore
*Lee, Karl L.....Post Office Box 703, Baltimore
*Lilley, Raleigh T.....663 Calvert Bldg., Baltimore
*Meyer, Herman F.....135 East Baltimore St., Baltimore

*ROGERS, WILLIAM F.....1114 American Bldg., Baltimore
*STARKLOFF, CARL V.....Sta. E., West Arlington, Baltimore
*TEICHMANN, MAX.....800 Equitable Bldg., Baltimore
*TOMPKINS, JOHN A.....301 North Charles St., Baltimore
Boyce, Fred G......Honorary Member.....Baltimore
Hahn, S. M......Honorary Member.....Baltimore
Lemmon, J. S......Honorary Member.....Baltimore
Muir, D. D......Honorary Member.....Baltimore
Siegmond, C. E......Honorary Member.....Baltimore
Total, 26.

Massachusetts, Incorporated Public Accountants of

ALBEE, AMOS D.....53 State St., Boston
ALBEE, HERBERT H.....53 State St., Boston
BARDWELL, WALLACE E.....124 Summer St., Pittsfield
CHANDLER, ASA E.....54 Kilby St., Boston
*CHASE, GEORGE S.....84 State St., Boston
*CHASE, HARVEY S.....84 State St., Boston
COMINS, EDWARD P.....84 State St., Boston
*DILLON, WILLIAM.....50 Congress St., Boston
DYSART, ROBERT J.....28 State St., Boston
EDWARDS, TRUMAN G.....178 Devonshire St., Boston
FRENCH, HERBERT F.....166 Essex St., Boston
HALL, WILLIAM FRANKLIN.....53 State St., Boston
HARPER, RICHARD L.....53 State St., Boston
HERRICK, WILLIAM H.....24 Milk St., Boston
KELLOGG, CHARLES F.....35 Congress St., Boston
MANSON, GEO. W.....113 Devonshire St., Boston
NEWELL, WILLIAM C.....Journal Bldg., Boston
NICKERSON, AUGUSTUS.....53 State St., Boston
PARKER, EDWARD L.....50 State St., Boston
PARSONS, JOSEPH S.....214 Columbus Ave., Boston
PARSONS, THOMAS P.....1107 Tremont Bldg., Boston
PIPER, HENRY A.....953 Old South Bldg., Boston
PRIDE, E. L.....8 Congress St., Boston
RAND, WALDRON H.....161 Devonshire St., Boston
SAWYER, HOLLIS H.....131 State St., Boston
SETTCHELL, M. E.....Old South Bldg., Boston
STEWART, ANDREW.....28 State St., Boston
STRACHAN, G. D.....141 Milk St., Boston
*SPURR, THOMAS S.....258 Washington St., Boston
STORER, NEWMAN W.....65 Journal Bldg., Boston
TUFTS, FREDERICK C.....24 Milk St., Boston
*TUTTLE, CHAS. H.....84 State St., Boston
WOLCOTT, CHARLES W.....70 State St., Boston
WRIGHT, RICHARD W.....953 Old South Bldg., Boston
WRIGHT, WALTER C.....45 Milk St., Boston
WYMAN, GERALD.....260 Clarendon St., Boston
Kurtz, Chas. C......Honorary Member.....Boston
Total, 37.

Michigan Association of Certified Public Accountants.

*ANDERSON, J. DONALD.....Home Bank Bldg., Detroit
*BECK, HOWARD C.....Detroit
*BROOK, W. H.....Majestic Bldg., Detroit
*FLEMING, C. D.....Penobscot Bldg., Detroit
*GIES, FRED T.....723 Majestic Bldg., Detroit

*GRIDLEY, W. D.....McGraw Bldg., Detroit
*HAWKINS, N. A.....723 Majestic Bldg., Detroit
*JEROME, J. J.....189 Mount Elliott Ave., Detroit
*RUPLE, HARRY .....Saginaw
*SPRINGER, DURAND W.....Ann Arbor
*WEBSTER, NORMAN E.....Kalamazoo
*WIXON, FRED.....Detroit
*WOODS, NICHOLAS .....Detroit
Ashley, Noble.....Honorary Member.....Detroit
Byrnes, Charles J......Honorary Members.....Ishpenning
Bland, J. Edward.....Honorary Member.....Detroit
Denby, Edwin.....Honorary Member.....Detroit
Hart, Ray.....Honorary Member .....Midland
Peck, Archibald J......Honorary Member .....Jackson
Warner, Fred. W......Honorary Member .....Farmington
Zimmerman, H. M......Honorary Member .....Pontiac
Total, 21.

Minnesota Society of Public Accountants.

GREEN, G. B.....Metropolitan Life Bldg., Minneapolis
HAYDEN, H. R.....Corn Exchange Bldg., Minneapolis
HINCKLEY, N. B.....Endicott Bldg., St. Paul
STEELE, J. GORDON.....New York Life Bldg., Minneapolis
*TEMPLE, H. M.....Germania Life Bldg., St. Paul
WENDELL, F. H.....Metropolitan Life Bldg., Minneapolis
Total, 6.

Missouri Society of Public Accountants.

BELDING, H. W.....Webster Groves
*BERGER, R. O.....54 William St., New York City
BOISSELIER, R. W.....704 Missouri Trust Bldg., St. Louis
*DICKINSON, A. LOWES.....54 William St., New York City
*GREY, D. L.....1320 Third National Bank Bldg., St. Louis
KESSLER, E. H.....616 Frisco Bldg., St. Louis
*LUDLAM, CHAS. S.....30 Broad St., New York City
*MAY, GEORGE O.....54 William St., New York City
*PELOUBET, L. G.....42 Broadway, New York City
*POGSON, A. H.....42 Broadway, New York City
POGSON, P. W.....42 Broadway, New York City
RODWAY, S. H.....616 Frisco Bldg., St. Louis
*SELLS, ELIJAH W.....30 Broad St., New York City
SMITH, J. PERCIVAL.....618 Victoria Bldg., St. Louis
SPINNEY, WM. K.....601 Commonwealth Trust Bldg., St. Louis
STEELE, J. GORDON.....New York Life Bldg., Minneapolis
*WESTERMANN, H. T.....903 Chemical Bldg., St. Louis
WRIGHT, FRANCIS A.....421 American Bank Bldg., Kansas City
YOUNG, F. S.....701 New York Life Bldg., Kansas City
Total, 19.

New Jersey, Society of Certified Public Accountants of the State of

*ARCHER, JOHN P.....156 Eleventh St., Hoboken
*BEIDELMAN, W. H.....776 Broad St., Newark
*BENTLEY, HENRY C.....Ridgefield
*BESSON, AUGUST J.....171 Bowers St., Jersey City
*BARCLAY, WM. D.....110 Summit Ave., Newark
*CAMP, SHERMAN P.....498 Orange St., Newark

*Cheyne, Thomas.....130 Ward St., Paterson
*Cockcroft, William.....4 Prospect Place, Red Bank
*Conant, Edward R.....215 Main Ave., Passaic
*Conant, Leonard H.....12 Hollywood Ave., East Orange
*Cooper, John E.....201 Orange Ave., Cranford
*Coughlan, Martin A.....5 Chapel St., Orange
*Davies, W. Sanders.....781 Broad St., Newark
*DuBois, Frank G.....781 Broad St., Newark
*Dunderdale, Forbes.....149 Bergenline Ave., Union Hill
*Flint, John .....815 Second St., Plainfield
*Foot, Elial T.....36 South Ave., Atlantic Highlands
*Forman, George.....738 Broad St., Newark
*Gano, Edwin E.....Bound Brook
*Greenwood, Herbert S.....Arlington
*Hartkorn, August.....729 Washington St., Hoboken
*Heiles, Rudolph F.....174 North Ninth St., Newark
*Lewis, James M.....552 Monroe Ave., Elizabeth
*Lomerson, Benjamin O.....96 Monticello Ave., Jersey City
*Lord, Clarkson E.....Hudson Trust Co., Hoboken
*Magee, Henry G.....Market and Third Sts., Camden
McSheehy, B. E.....300 Communipaw Ave., Jersey City
*Milligan, William A.....52 Broadway, New York City
*Nield, Charles F.....East Orange
*Niven, John B.....98 Lorraine Ave., Upper Montclair
*Nugent, Thos. J.....481 Summit Ave., West Hoboken
*Oakes, W. Foster.....Roseland Ave., Essex Falls
*Pabodie, Benjamin F.....85 Walnut St., Montclair
*Patterson, Stuart H.....12 East Ninth St., Plainfield
*Peterson, Geo. E.....United Bank Bldg., Paterson
*Roberts, Thos. Cullen.....1203 Garden St., Hoboken
*Roberts, Thos. E. C.....Hackensack
*Samuelson, Frank, Jr.....27 North Midland Ave., Arlington
*Sawyer, W. T.....735 Madison Ave., Elizabeth
*Self, Edward.....147 South Orange Ave., South Orange
*Smith, James Jasper.....302 Sherman Ave., Jersey City
*Stevens, Richard F.....1017 Prudential Bldg., Newark
*Storck, George W.....Hasbrouck Heights
*Suffern, Edward L.....16 Sycamore Ave., Plainfield
*Twist, O. S.....7 Bloomfield Ave., Passaic
*Wilkinson, George.....127 East Sixth St., Plainfield
*Woodling, Edwin G.....302 Prospect St., Cranford
*Woodruff, F. H., Jr.....47 East Thirty-ninth St., Bayonne
*Yale, Elmer B.....180 Belmont Ave., Jersey City

Total, 49.

New York State Society of Certified Public Accountants.

*Abraham, John W.....82 Beaver St., New York City
†*Allen, Franklin.....487 Broadway, New York City
*Allen, J. L. M.....280 Broadway, New York City
*Anyon, James T.....Broad-Exchange Bldg., New York City
*Archer, John P.....9 East Twenty-second St., New York City
*Ashdown, Edward A.....34 Nassau St., New York City
*Barber, Edgar M.....641 Washington St., New York City
*Both, Charles.....68 William St., New York City
*Brennan, Robert T.....280 Broadway, New York City
*Brinkerhoff, Edgar B.....32 Broadway, New York City
*Broaker, Frank.....150 Nassau St., New York City
*Brown, Raymond C.....30 Broad St., New York City

† Died February 27, 1909.

*Brummer, Leon.....277 Broadway, New York City
*Calvert, Jos. F.....123 East Twenty-third St., New York City
*Chapman, R. M.....150 Nassau St., New York City
*Chapman, Edwin N.....15 Wall St., New York City
*Child, C. B.....165 Broadway, New York City
*Church, Geo. H.....44 Wall St., New York City
*Clair, Francis R.....280 Broadway, New York City
*Conant, L. H.....30 Broad St., New York City
*Cook, Howard B.....30 Broad St., New York City
*Cook, H. R. M.....Fifty-ninth St. and Park Ave., New York City
*Corwin, H. S.....30 Broad St., New York City
*Culver, A. I.....Albany, New York
*Cuthbert, R. L.....48 Wall St., New York City
*Davies, W. Sanders.....11 Broadway, New York City
*Davis, H. C.....43 Exchange Place, New York City
*Dean, T. B.....43 Exchange Place, New York City
*Dixcy, T. B.....72 Trinity Place, New York City
*Dennis, W. H.....87 Nassau St., New York City
*Duane, Thomas W.....280 Broadway, New York City
*Dunn, Homer A.....30 Broad St., New York City
*Ebbels, Clarence L.....31 Nassau St., New York City
*Edmonds, D. J.....56 Pine St., New York City
*Farrington, W.....203 Broadway, New York City
*Fedde, A. S.....30 Broad St., New York City
*Fero, DeRoy S.....30 Broad St., New York City
*Fischer, August.....1011 Avenue A, New York City
*Fisher, L. O.....120 Broadway, New York City
*Forster, Geo. F.....15 Broad St., New York City
*Freeman, Herbert C.....30 Broad St., New York City
*Freeman, W. E.....57 Duane St., New York City
*Gallaher, E. Y.....280 Broadway, New York City
*Gaynor, Philip B.....43 Cedar St., New York City
*Gimson, L. K.....30 Broad St., New York City
*Goodman, Edward Cross.....2 Rector St., New York City
*Grant, James .....Machesney Bldg., Pittsburgh, Pa.
*Goodloe, J. S. M.....Hayden Building, Columbus, O.
*Gottsberger, Francis .....156 Broadway, New York City
*Gunnell, Edward.....141 Broadway, New York City
*Gunnell, Wm. J.....80 Dun Bldg., Buffalo, N. Y.
*Haag, Joseph.....280 Broadway, New York City
*Harned, Franklin M.....280 Broadway, New York City
*Hart, H. B.....211 West Eighty-fifth St., New York City
*Haverstroh, Fred .....150 Nassau St., New York City
*Hecht, Charles .....170 Broadway, New York City
*Hersloff, N. B.....15 Wall St., New York City
*Hertle, John C.....280 Broadway, New York City
*Hifton, E. A.....30 Broad St., New York City
*Holde, R.....964 Grant Ave., New York City
*Horley, T. R.....757 Broad-Exchange Bldg., New York City
*Hotson, R. C.....Fifth Avenue and Thirty-sixth St., New York City
*How, Francis.....2 Rector St., New York City
*Hubbard, L. T.....76 William St., New York City
*Hyans, Edward M.....27 E. Twenty-second St., New York City
*Immke, Henry W.....347 West Forty-fifth St., New York City
*Judd, O. R.....140 Nassau St., New York City
*Ketchum, N. V.....253 Broadway, New York City
*Koehler, Theodore .....1135 Broadway, New York City
*Lafrentz, F. W.....100 Broadway, New York City
*Le Jeune, C. E.....82 Beaver St., New York City

*Leonhauser, Ulysses.....43 Exchange Place, New York City
*Lingley, R. T.....527 Fifth Ave., New York City
*Link, Charles C.....Waldorf-Astoria. New York City
*Little, Stephen.....100 Broadway, New York City
*Little, G. Elliott.....2 Rector St., New York City
*Little, W. P.....15 Broad St., New York City
*Loomis, J. R.....30 Broad St., New York City
*Loudoun, Wood D.....11 Wall St., New York City
*Lubin, Louis .....438 East Fifty-seventh St., New York City
*Ludlam, Chas. S.....30 Broad St., New York City
*MacRae, F. J.....68 William St., New York City
*MacInnes, Duncan.....320 Broadway, New York City
*McClement, J. H.....135 Broadway, New York City
*McCulloh, C. S.....43 Exchange Place, New York City
*MacFall, Thomas J.....22 East 109th St., New York City
*McKenna, J. A.....62 William St., New York City
*McWhorter, Chas. F.....Van Wicklen Place, Ozone Park, L. I
*Maas, H. C.....52 Broadway, New York City
*Manvel, Frederick C.....489 Fifth Ave., New York City
*Mitchell, S. R.....79 Wall St., New York City
*Morse, Perley.....43 Exchange Place, New York City
*Moyer, M. S.....453 Jefferson Ave., Brooklyn, N. Y.
*Myer, Geo. W., Jr.....165 Broadway, New York City
*Nicholson, J. Lee.....346 Broadway, New York City
*Nicholson, F. J.....52 Broadway, New York City
*Niles, Charles E.....111 Broadway, New York City
*Niles, Henry A.....111 Broadway, New York City
*Niven, J. B.....30 Broad St., New York City
*Pace, Homer S.....154 Nassau St., New York City
*Pangborn, Warrell S.....34 Pine St., New York City
*Park, James.....52 Broadway, New York City
*Patterson, S. D.....55 Liberty St., New York City
*Phelps, C. D.....143 Liberty St., New York City
*Potter, A. G.....34 Central St., Murray Hill, L. I
*Proud, John.....80 William St., New York City
*Query, Chas. R.....1 Madison Square, New York City
*Rigby, Percy B.....1412 Ludlow St., Philadelphia, Pa.
*Roberts, Thos. Cullen.....56 Pine St., New York City
*Rose, Alfred.....56 Pine St., New York City
*Rucker, R. H.....27 Pine St., New York City
*Sachs, Dan.....848 Greene Ave., Brooklyn, N. Y.
*Sargent, S. E.....41 Park Row, New York City
*Searle, H. F.....52 Broadway, New York City
*Self, Edward.....76 William St., New York City
*Sells, Elijah W.....30 Broad St., New York City
*Simson, Leslie N.....120 Broadway, New York City
*Sinclair, Arthur B.....15 Wall St., New York City
*Smith, D. C.....45 Broadway, New York City
*Sparrow, J .R.....60 Wall St., New York City
*Sprague, C. E.....45 East Thirty-Second St., New York City
*Squires, F. W.....135 Broadway, New York City
*Stevens, Frank A.....78 West 105th St., New York City
*Stratton, R. M.....70 West Fifty-second St., New York City
*Suffern, E. L.....165 Broadway, New York City
*Suffern, E. S.....165 Broadway, New York City
*Tate, D. C.....66 Broadway, New York City
*Teele, A. W.....30 Broad St., New York City
*Tinsley, A. L.....40 Cedar St., New York City

*Townsend, G. C.....31 Nassau St., New York City
*Ulbricht, R. E.....Banco Nat. de Cuba, Havana, Cuba
*Ulman, Stephen A.....32 Broadway, New York City
*Vaughan, A. S.....Marquette Bldg., Chicago, Ill.
*Vedder, H. M. C.....35 Nassau St., New York City
*Veysey, W. H. P.....32 Nassau St., New York City
*Walker, A. P.....49 Wall St., New York City
*Watson, W. A.....9 Richard St., Brooklyn, N. Y.
*Weiss, William F.....128 Broadway, New York City
*Wicks, A. H.....302 Broadway, New York City
*Wiegand, Peter C.....223 Spring St., New York City
*Wilkinson, George.....52 Broadway, New York City
*Wolff, Arthur L.....27 East Twenty-second St.,New York City
*Wyman, Jos G.....60 Wall St., New York City
Johnson, Jos. French.....Honorary Member.....New York City
Total, 144.

Ohio State Society of Certified Public Accountants.

Brown, F. M.....Williamson Bldg., Cleveland
*Clark, Thos. R.....49 Wall St., New York City
*Covert, C. .....603 Hayden Bldg., Columbus, O.
*Cuthbert, Robt. L.....48 Wall St., New York City
Deaver, Wm.....27 N. Monroe Ave., Columbus
*Ernst, A. C.....Schofield Bldg., Cleveland
*Ernst, Theo. C.....Schofield Bldg., Cleveland
*Fisher, Leon O.....120 Broadway, New York City
*Goodbody, T. P.....Spitzer Bldg., Toledo
*Goodloe, J. S. M.....Hayden Bldg., Columbus
*Harcourt, Vivian.....Edificio La Mutua, No. 522, Mexico, D. F.
*Immke, H. W.....Lock Drawer "L," Cleveland
*Kauffman, J. H.....Central Savings' Bank Bldg., Canton
*Keller, H. A.....Hayden Bldg., Columbus
*Kennedy, Guy H.....Traction Bldg., Cincinnati
Lamb, Geo. R.....Traction Bldg., Cincinnati
*Ludlam, Chas. S.....30 Broad St., New York City
*McConaughy, R. C.....405 Traction Bldg., Cincinnati
*McIntosh, R. J.....943 Ohio Bldg., Toledo
*McKnight, J. J.....Hayden Bldg., Columbus
Mansell, G. F.....Traction Bldg., Cincinnati
*Mead, W. J.....Cuyahoga Bldg., Cleveland
*Miller, J. A.....First National Bank Bldg., Cincinnati
*Morris, D. C.....827 Williamson Bldg., Cleveland
*Munster, W. J.....Carlisle Bldg., Cincinnati
*Mau, Carl H.....319 Superior Ave., Cleveland
*Pigott, Theo. E.....Cuyahoga Bldg., Cleveland
*Sells, Elijah W.....30 Broad St., New York City
Smethurst, Richard.....Traction Bldg., Cincinnati
*Teele, A. W.....30 Broad St., New York City
*Thomas, E. S.....Union Trust Bldg., Cincinnati
*Webner, F. E.....First National Bank Bldg., Cincinnati
Wentzell, C. H.....Traction Bldg., Cincinnati
*White, F. F.....49 Wall St., New York City
Ellis, Wade H......Honorary Member.....Cincinnati
Firestone, Clinton D......Honorary Member.....Columbus
Foote, Allen Ripley.....Honorary Member.....Columbus
Foraker, Jos. B......Honorary Member.....Cincinnati
Harris, Andrew L......Honorary Member.....Columbus

Herrick, Myron T......Honorary Member.....Cleveland
Monsarrat, Nicholas.....Honorary Member.....Columbus
Total, 41.

Oregon State Society of Public Accountants.

CHAMBREAU, J. J.....Canterbury, Bldg., Portland
*MACKENZIE, W. R.....224 Worcester Block, Portland
MURTON, GEO. T.....Chamber of Commerce Bldg., Portland
RAE, ALEXANDER C.....406 McKay Bldg., Portland
WHITFIELD, WILLIAM.....Commercial Club Bldg., Portland
Total, 5.

Pennsylvania Institute of Certified Public Accountants.

*BARRETT, A. R.....42 W. Coulter St., Germantown
*BATES, STOCKTON.....571 Drexel Bldg., Philadelphia
*BROWN, LAWRENCE E.....1612 Real Estate Trust Bldg, Philadelphia
*CARSON, C. C.....Aldan, Delaware County
*DICKINSON, A. LOWES.....54 William St., New York City
*EDGAR, W. W.....P. O. Box 561, Pittsburgh
*FERNLEY, JAMES W.....907 Betz Bldg., Philadelphia
*HAYES, HYLAND B.....140 South Fourth St., Philadelphia
*HEVERLE, RICHARD L.....1228 N. Warnock St., Philadelphia
*JOHNSTON, D. VINCENT.....1612 Real Estate Trust Bldg., Philadelphia
*KENNEDY, R. E.....929 Chestnut St., Philadelphia
*LAWTON, WILLARD H.....Wayne, Pa.
*LEWER, CHARLES.....411 Walnut St., Philadelphia
*LYBRAND, WILLIAM M.....1831 Land Title Bldg., Philadelphia
*LYNN, JOHN R.....925 Chestnut St., Philadelphia
*LYNNE, W. SAREL.....Union Bank Bldg., Pittsburg
*MAGEE, HENRY C.....Market and Third Sts., Camden, N. J.
*MILLER, W. HARRY.....1314 Commonwealth Trust Bldg., Philadelphia
*MONTELIUS, WILLIAM E.....540 Drexel Bldg., Philadelphia
*MONTGOMERY, ROBERT H.....165 Broadway, New York City
*MOXEY, EDWARD P.....1202 Real Estate Trust Bldg., Philadelphia
*MOXEY, EDWARD P., JR.....1202 Real Estate Trust Bldg., Philadelphia
*PRINGLE, JOSEPH.....Baker St., Pittsburgh
*PUGH, JOSEPH M.....1831 Land Title Bldg., Philadelphia
*RORER, WILLIAM W.....907 Betz Bldg., Philadelphia
*ROSS, ADAM A., JR.....1831 Land Title Bldg., Philadelphia
*ROSS, T. EDWARD.....1831 Land Title Bldg., Philadelphia
*SELLERS, ALFRED L.....420 Mutual Life Bldg., Philadelphia
*SELLS, ELIJAH W.....30 Broad St., New York City
*SPAULDING, EDWARD C.....Board of Trade Bldg., Scranton
*STANLEY, EDWARD.....Sherman, Texas
*STAUB, E. ELMER.....1831 Land Title Bldg., Philadelphia
*STAUB, WALTER A.....Union Bank Bldg., Pittsburg
*STEENSON, JOHN F.....118 South Sixth St., Philadelphia
*STERRETT, J. E.....925 Chestnut St., Philadelphia
*STINGER, J. D.....1612 Real Estate Trust Bldg., Philadelphia
*STOCKWELL, HERBERT G.....833 Land Title Bldg., Philadelphia
*VAUGHAH, JOHN.....413 Fourth Ave., Pittsburgh
*VOLLUM, CHARLES N.....907 Betz Bldg., Philadelphia
*VOLLUM, ROBERT B.....907 Betz Bldg., Philadelphia
*WEISSINGER, CHARLES.....Twenty-seventh and Cabot Sts. Philadelphia
*WILKINSON, GEORGE.....1001 Chestnut St., Philadelphia
*WITHERUP, WILLIAM.....2032 North Twentieth St., Philadelphia
Rebbeck, Francis J......Honorary Member .....Pittsburg
Total, 44.

Rhode Island Society of Certified Public Accountants.

*Allen, George R.....29 Weybosset St., Providence
*Barney, Frederick W.....55 Irving Ave., Providence
*Carpenter, Hamilton L.....214 Industrial Trust Bldg., Providence
*Grossman, Charles.....Banigan Bldg., Providence
*Jenckes, Chas. S.....810 Industrial Trust Bldg., Providence
*Lawton, Geo. R.....Box 159, Fall River, Mass.
Total, 6.

Tennessee Society of Public Accountants.

Andrews, T. A.....Memphis
Elliott, Edward S.....Memphis
Ewing, Otis R.....Memphis
Flisher, Charles.....Nashville
Goodman, Frank.....Nashville
Grannis, H. W.....Lebanon
Harsh, Harry L.....Memphis
Hull, Andrew S.....Memphis
Jones, Homer K.....Memphis
Leatham, E. R.....Memphis
Metz, J. G.....Memphis
Parsons, A. A.....Memphis
Richmond, J. L.....Memphis
Shannon, Chas. R.....Memphis
Smith, W. A.....Memphis
Snyder, W. L.....Memphis
Stone, J. K.....Memphis
Watson, W. T.....Memphis
Total, 18.

Washington Society of Certified Public Accountants.

*Arkley, Geo. McD.....Tacoma
*Carroll, H. W.....Seattle
*Chidester, W. C.....St. Michaels, Alaska
*Shedden, Geo.....National Bank of Commerce Bldg., Tacoma
*Shorrock, E. G.....Pioneer Bldg., Seattle
*Williams, C. M.....Seattle
Total, 6.

SOCIETY ASSOCIATES.

Colorado.

*Dittman, William E.....Boulder
Harris, H. H.....202 Empire Bldg., Denver
Snodgrass, M. T.....806 Equitable Bldg., Denver
Total, 3.

Louisiana.

*Allen, Edward.....Hibernia Bank Bldg., New Orleans
Allison, Alexander.....New Orleans
Jumonville, H. J.....New Orleans
Jumonville, Edward.....New Orleans
Modinger, Geo. A.....New Orleans

MANGHAN, FRANK J.....New Orleans
MIELLY, EDMOND F.....New Orleans
ROGERS, E. G.....New Orleans
STEVENS, G. J.....New Orleans
SENTON, W. S.....New Orleans
SOULE, A. L.....New Orleans
SOULE, E. E.....New Orleans
TURNER, GEO. A.....New Orleans
Total, 13.

Maryland.

*BLACK, WILMER.....608 American Bldg., Baltimore
*DITMAN, CHARLES R.....115 E. Lombard St., Baltimore
*HATTER, ELMER L.....Wayne Ave., Howard Park
*HUNTER, ANDREW. JR.....608 American Bldg., Baltimore
Total, 4.

Massachusetts.

ALBREE, EDWARD C.....27 State St., Boston
BISHOP, GEO. L.....262 Washington St., Boston
BYRNES ARTHUR T.....53 State St., Boston
CHASE, ARTHUR T.....84 State St., Boston
DOUGLAS, ROBERT.....166 Essex St., Boston
DYSART, HUGH.....28 State St., Boston
MANSFIELD, GIDEON M.....Exchange Bldg., Boston
MOYER, ORLANDO C.....43a Oakview Terrace, Jamaica Plains
POPE, CHARLES H.....166 Essex St., Boston
PRIEST, GEO. H.....324 Old South Bldg., Boston
SANGER, GABRIEL .....166 Essex St., Boston
WOODBRIDGE, J. M.....214 Summer St., Boston
WRYE, WALTER C.....27 State St., Boston
Total, 13.

Michigan.

*BENNETT, R. J.....Detroit
CURTIS, P. S.....Detroit
THOMPSON, GEO. E.....Detroit
Total, 3.

Minnesota.

DOUGHERTY, RICHARD A.....New York Life Bldg., Minneapolis
FREEMAN, H. J.....St. Paul
FRAME, W. A.....New York Life Bldg., Minneapolis
WEBB, R. D.....Metropolitan Life Bldg., Minneapolis
WILSON, GEORGE .....Duluth
Total, 5.

Missouri.

AMBROSE, H. G.....903 Chemical ldg., St. Louis
HENRY, FRANK R.....2014 Morgan St., St. Louis
HOUSTON, A. M.....1320 Third National Bank Bldg., St. Louis
HURLBATT, E.....Manila, Phil.
MCCELLAND, D. MCK.....Chicago, Ill
WHARTON, T. F.....Third National Bank Bldg., St. Louis
Total, 6.

Members.

New Jersey.

ATWOOD, WILLIAM .....321 Union St., Hackensack
PARKER, GEO. R.....781 Broad St., Newark
WELLMAN, THOS. COLES.....82 West Fifth St., Bayonne
Total, 3.

Ohio.

BLYTH, L. W.....1220 Schofield Bldg., Cleveland
BODLEY, J. W.....404 Traction Bldg., Cincinnati
CLOUD, JOSEPH D.....404 Traction Bldg., Cincinnati
FIGSBY, FOREST F.....1221 Schofield Bldg., Cleveland
GANO, C. A.....404 Traction Bldg., Cincinnati
GILBERT, FENTON L.....1221 Schofield Bldg., Cleveland
JONES, W. H.....704 Pincell St., Cincinnati
KELLY, EDGAR T.....Hayden Bldg., Columbus
LANGDON, W. E.....Harrison Bldg., Columbus
LEISTER, B. P.....Hayden Bldg., Columbus
LINDARS, F. W.....Union Trust Bldg., Cincinnati
LOOMIS, N. H.....Columbus
PATRICK, A. L.....109 Columbus St., Elyria
Rice, L. G.....Greenfield
RUSK, STEPHEN G.....1221 Schofield Bldg., Cleveland
SHAFFER, F. J.....Harrison Bldg., Columbus
STALLMAN, J. N.....Cincinnati
STOEHR, ALFRED.....2417 Ingleside Place, Cincinnati
STUART, H. C. G.....83 Beekman St., New York City
TALIAFERRO, ALBERT P.....827 Williamson Bldg., Cleveland
THROSSELL, FRED W.....Citizens Bldg, Cleveland
TOWNSEND, L. W.....829 Williamson Bldg., Cleveland
WALLACE, M. J.....Columbus
WINCHELL, HORACE V.....Traction Bldg., Cincinnati
YOUNG, F. K.....Third and Rich St., Columbus
ZIMMERMAN, A. L..... Traction Bldg., Cincinnati
Total, 26.

Oregon.

BERRIDGE, ARTHUR.....Chamber of Commerce Bldg., Portland
COLLIS, E. H.....Worcester Block, Portland
FERGUSON, J. W.....Board of Trade Bldg., Portland
Total, 3.

Tennessee.

BEACH, E. G.....Memphis
FORSYTH, S. D.....Memphis
JACKSON, W. H.....Memphis
JAY, H. M.....Memphis
QUIGLEY, JAMES E.....Memphis
SIMS, R. B.....Memphis
Total, 6.

Washington.

*CULP, C. M.....Seattle
*MCADAM, WM.....Pioneer Bldg., Seattle
*SIMPSON, J. S.....Seattle
*WHITE, R. D.....Seattle
Total, 4.

HONORARY MEMBERS OF THE ASSOCIATION.

JOHNSON, JOS. FRENCH.....New York, N. Y.
KINLEY, DAVID .....Illinois
MEADE, E. S.....Pennsylvania
Total, 3.

Total Membership

The total membership of the Association at the present time is as follows:

	Fellows	Society Fellows as well as other Societies	Associates	Honorary Members of State Society	Total
Fellows at Large, original	76	...	...	...	76
Fellows at Large elected since Jan. 10, 1905	26	...	...	...	26
Associates at Large, original	...	...	18	...	18
Associates at Large elected since Jan. 10, 1905	...	...	15	...	15
California Society of C. P. A.'s	23	...	...	3	26
Colorado Society of C. P. A.'s, Inc	22	...	3	5	30
Connecticut Society of C. P. A.'s	8	...	...	...	8
Georgia State Association of Public Accountants	10	...	...	...	10
Illinois Society af C. P. A.'s	60	3	...	1	64
Kentucky Society of Public Accountants	14	...	...	...	14
Louisiana C. P. A.'s	4	...	13	...	17
Maryland Association of C. P. A.'s	21	...	4	5	30
Massachusetts Incorporated Public Accountants	36	...	13	1	50
Michigan Association of C. P. A.'s	13	...	3	8	24
Minnesota Society of Public Accountants	5	1	5	...	11
Missouri Society of Public Accountants	15	4	6	...	25
New Jersey, Society of C. P. A.'s of the State of	46	3	3	...	52
New York State Society of C. P. A.'s	117	26	...	1	144
Ohio State Society of C. P. A.'s	28	6	26	7	67
Oregon State Society of Public Accountants	5	...	3	...	8
Pennsylvania Institute of C. P. A.'s	38	5	...	1	44
Rhode Island Society of C. P. A.'s	6	...	...	...	6
Tennessee Society of Public Accountants	18	...	6	...	24
Washington Society of C. P. A.'s	6	...	4	...	10
	597	48			799
		597			
Association Honorary Members	..	...	...	...	3
		645	122	32	802

Record of Membership

in

The American Association of Public Accountants. 1896-1908.

Years	Fellows	Associates	Societies Honorary	Association Honorary	Total
1896	63	12	..	..	75
1897	75	14	..	..	89
1898	65	11	..	..	76
1899	67	13	..	..	80
1900	74	18	..	..	92
1901	87	25	..	..	112
1902	97	32	..	..	129
1903	103	37	..	..	140
1904	121	27	..	..	148
1905	494	93	..	..	587
1906	541	120	..	..	661
1907	573	124	..	3	700
1908	645	122	32	3	802

PRESIDENTS and SECRETARIES.

of Constituent State Societies of Accountants. and their addresses.

Also year when State Legislation recognizing the Accountancy profession was passed in their respective States.

1896 New York State Society of Certified Public Accountants,
President—J. R. Loomis, 30 Broad St., New York City.
Secretary—S. D. Patterson, 55 Liberty St., New York City.

1899 Pennsylvania Institute of Certified Public Accountants,
President—C. N. Vollum, Betz Bldg., Philadelphia.
Secretary—Jos. M. Pugh, Land Title Bldg., Philadelphia.

1900 Maryland Association of Certified Public Accountants,
President—Chas. O. Hall, 711-12 Fidelity Bldg., Baltimore.
Secretary—Wilmer Black, 608 American Bldg., Baltimore.

1901 California Society of Certified Public Accountants,
President—J. R. Ruckstell, 306-8 Call Bldg., San Francisco.
Secretary—J. F. Foster, 130 Investors' Bldg., San Francisco.

1903 Illinois Society of Certified Public Accountants,
President—W. Ernest Seatree, 1730 Tribune Bldg., Chicago.
Secretary—Harold Benington, 801 Marquette Bldg., Chicago.

1903 Washington Society of Certified Public Accountants,
President—Geo. Shedden, Natl. Bank Commerce Bldg., Tacoma.
Secretary—Wm. McAdam, Pioneer Bldg., Seattle.

1904 New Jersey, Society of Certified Public Accountants of the State of,
President—T. Cullen Roberts, 1203 Garden St., Hoboken.
Secretary—August Hartkorn, 729 Washington St., Hoboken.

1905 Michigan Association of Certified Public Accountants,
President—W. H. Brook, Majestic Bldg., Detroit.
Secretary—J. Donald Anderson, Home Bank Bldg., Detroit.

1907 Colorado Society of Certified Public Accountants, Inc.,
President—Fermor J. Spencer, Continental Trust Bldg., Denver.
Secretary—J. B. Geijsbeek, 806 Equitable Bldg., Denver.

1908 Georgia State Association of Certified Public Accountants,
President—A. J. Haltiwanger, Atlanta.
Secretary—Joel Hunter, 1220 Empire Bldg., Atlanta.

1908 Connecticut Society of Certified Public Accountants,
President—Harry Treat Beers, 42 Church St., New Haven
Secretary—Fred. C. Manvel, Waterbury, Conn.

1908 Ohio State Society of Certified Public Accountants,
President—Carl H. Nau, 319 Superior Ave., Cleveland.
Secretary—J. H. Kauffman, 4 Central Savings Bank Bldg., Canton.

1908 Louisiana Society of Certified Public Accountants,
President—EMILE BIENVENUE, Tulane-Newcomb Bldg., New Orleans.
Secretary—A. HART, 605 Tulane-Newcomb Bldg., New Orleans.

1908 Rhode Island Society of Certified Public Accountants,
President—FRED. W. BARNEY, 35 Irving Ave., Providence.
Secretary—CHAS. S. JENCKES, 810 Industrial Trust Bldg., Providence.

Legislation pending (or not yet secured) in the following States, where Accountancy Societies exist.

Kentucky Society of Public Accountants,
President—BEN C. WEAVER, Columbia Bldg., Louisville.
Secretary—C. W. BANTA, Columbia Bldg., Louisville.

Massachusetts, Incorporated Public Accountants of,
President, W. C. NEWELL, Journal Bldg., Boston.
Secretary—WILLIAM DILLON, 50 Congress St., Boston.

Minneasota Society of Public Accountants,
President—H. M. TEMPLE, Germania Life Bldg., St. Paul.
Secretary—H. R. HAYDEN, Corn Exchange Bldg., Minneapolis.

Missouri Society of Public Accountants,
President—H. T. WESTERMANN, Chemical Bldg., St. Louis.
Secretary—DAVID L. GREY, 1320 Third Natl. Bank Bldg., St. Louis.

Oregon State Society of Public Accountants,
President—W. R. MACKENZIE, Worcester Block, Portland.
Secretary—ARTHUR BERRIDGE, 307 Chamber of Commerce, Portland.

Tennessee Society of Public Accountants,
President—EDWARD S. ELLIOTT, Memphis Trust Bldg., Memphis.
Secretary—WM. T. WATSON, 311 Memphis Trust Bldg., Memphis.

Proceedings.
The American Association of Public Accountants, Twenty-first Annual Meeting. Atlantic City, N. J., October 20, 21, 22, 1908.

First Session, Tuesday Morning, October 20.

The Twenty-first Annual Meeting of the American Association of Public Accountants was called to order by President Elijah W. Sells, of New York, at 10 o'clock on the morning of October 20, 1908, at the Marlborough-Blenheim Hotel, Atlantic City, N. J.

In calling the meeting to order the president announced the attendance of representatives of twelve societies of professional accountants in England, Scotland, and Canada, and that a special meeting had been arranged for Wednesday evening, October 21, at which the welcome of the Association would be extended more formally.

Address of Welcome.

BY CHAS. N. VOLLUM, C. P. A.,

President of the Pennsylvania Institute of Certified Public Accountants.

On behalf of the Pennsylvania Institute of Certified Public Accountants, I tender you a hearty welcome to this annual convention of the American Association of Public Accountants at Atlantic City.

It may appear strange that Pennsylvania invites you to Atlantic City, which geographically is in the State of New Jersey, but the fact is that Atlantic City, although first discovered by Philadelphians and put in its present rank by the efforts of Philadelphians, is a cosmopolitan city, belonging to no state, but stands unequalled in this great world.

We can not show you mines, snow, etc., like unto Denver, but it is about time for "Sea Sarpints", and if you get into the proper condition, you may see them, and we have no doubt that sea sickness can be seen and felt if the overbold and inexperienced dare to rock on the bosom of our great ocean.

It would consume too much time to tell you of the wonders of Atlantic City, but I have no doubt those of you who have never been here will find many things to interest you.

The Pennsylvania Institute has provided a luncheon for today, which will be served in the Chevy Chase room at 1 P. M., to which all the members of the Association and their ladies and the guests of the Association are invited. Again we welcome you and hope you may have a good time.

Response.

On Behalf of the Association.

By J. S. M. Goodloe, C. P. A., of Ohio.

Mr. President, gentlemen of the Pennsylvania Institute, members of the American Association, guests, and last but by no means least, the ladies: I feel sure that all of you will heartily agree with me in expressing our appreciation of the very kind words of Mr. Vollum on behalf of the Pennsylvania Institute.

There is just one thing that Mr. Vollum speaks of that I would like to ask about, and that is his reference to the Chevy Chase room. I have not seen that, and would like to ask if he does not mean the Col. Bogey Chase room, which is probably, under ordinary conditions a golf room of some kind. We ought to be enlightened on that point.

I think we are all glad to get together once again. I know that personally, it is not only a great pleasure but a great privilege to see the familiar faces year after year, after looking forward to meeting them for many months past. Occasionally we miss a few, but we must look after them and see that they are with us next year and see to it that the absentees do not drop out of sight. We might excuse one absence, but not more than one in succession.

I think another thing that we all appreciate is the work of the Committee on Arrangements. They have certainly taken care of us in a magnificent way this year, and from some little personal experience in the past, I can appreciate the great amount of work they have had to do and some of the troubles they have had to meet and overcome. One member of the committee told me that the troubles did not begin to arrive until Saturday or Sunday and then they came fast. I do not know whether he meant the ones that came in by train, or by the Sea Serpent route.

I understand that even with this large and magnificent hotel, some of the later arrivals, who did not take advantage of the service of the hotel committee and reserve accommodations ahead, have had their troubles, "and that reminds me" of a story.

Columbus is, as many of you know, headquarters for a great many things; and among others is headquarters for the Forepaugh-Sells Circus. Old Col. Sells, the head of that organization (not E. W.), was quite a character in his day, and tells this experience of the early days of the circus:

Their financial matters were not always as satisfactory as they might be and one year after getting along nicely for about three months, began to go to the bad, got worse and worse until finally the colonel made up his mind that the only thing to be done was to pay off all his showmen and employees and then get out and "rustle" for more capital. So he began paying off, starting at the top of the list alphabetically, Adam, Achilles, Benjamin, Charles, Daniel, Ephraim, and so on down until he got to Orion when the cash gave out, so all those beginning with Philippi didn't get their money. The old gentleman rustled around and in about three months had enough to start again. His intentions were honest, so he hunted up all his old performers and signed up contracts with them as he wanted to get them on his payroll first and as far as possible make up for past shortcomings. In came Zanzibar, the strong man. He said, "Zanzibar, I am glad to see you back," but Zanzibar said, "Forget it; my name isn't Zanzibar any more. It's Ajax."

Now, I think we all want to be like Ajax and get in early and at the top of the registration list. I believe I express the sentiment of everyone here, including our very welcome visitors from across the water, in saying we are glad to be here, to be together this year as we hope to be next

year and for many more years and that it won't be so very long before we have another invitation to Atlantic City (Applause).

The roll was then called by Secretary Roberts, who reported a quorum present.

The President appointed the following Committee on Credentials:

ROBERT H. MONTGOMERY, Pennsylvania, Chairman.
A. W. TEELE, New York.
LEON O. FISHER, New York.

The President then submitted the following report of the Board of Trustees:

Report of the Board of Trustees.

Since the annual meeting of the Association in October 1907, a vacancy was caused in the Board of Trustees and of the Executive Committee by the death of Mr. T. P. Ryan. Pursuant to the powers given to your Board by the Constitution, Article V., they proceeded to fill this vacancy and in lieu of calling a special meeting of the Board of Trustees, nominations for filling the vacancy were made, upon which a vote by mail was taken, when a majority vote was cast for Mr. E. L. Suffern, C. P. A., of New York City, and he was duly elected a member of the Executive Committee in the place of the late Mr. T. P. Ryan.

The president having sought authority to appoint a Special Committee to confer with the counsel of the American Bankers' Association in the matter of a Uniform Bankers' Check twenty-three votes were recorded in favor of appointing that committee, whereupon the President appointed as a committee, Mr. E. L. Suffern (New York), Chairman; Mr. Allen R. Smart (Illinois), Mr. Guy H. Kennedy (Ohio), Mr. J. E. Sterrett (Pennsylvania), Mr. H. A. Dunn (New York), and the President and the Secretary, ex-officio.

The reports of the officers and the committees, both standing and special, are now in pamphlet form, and are distributed among the members.

These reports, together with such others as may be received, will be embodied in the proceedings of the year book.

The report of the Committee on Examinations, Qualifications and Elections has been changed to include eligible applicants up to and including yesterday, and in accordance with their recommendations there were elected to membership the following:

NEW MEMBERS.

State Societies.	Fellows.	Associates.
The California Society of Certified Public Accountants	2	
Colorado Society Certified Public Accountants, Inc.		3
Georgia State Association Public Accountants	3	
Illinois Society of Certified Public Accountants	11	
Maryland Association Certified Public Accountants		2
Incorporated Public Accountants of Massachusetts	7	
The Michigan Association Certified Public Accountants	2	
Minnesota Society of Public Accountants		1
Missouri Society of Public Accountants		1
Society of Certified Public Accountants of the State of New Jersey	3	3

State Societies.	Fellows.	Associates.
New York State Society of Certified Public Accountants	16	
The Ohio State Society of Public Accountants		9
The Pennsylvania Institute of Certified Public Accountants	3	
The Tennessee Society of Public Accountants	6	6
Washington Society of Certified Public Accountants		4
Rhode Island Society of Certified Public Accountants	3	
Louisiana Society of Certified Public Accountants	6	14
NEW SOCIETIES.		
The Connecticut Society of Certified Public Accountants	8	
The Oregon State Society of Public Accountants	3	3
Kentucky Society of Public Accountants	14	
The Southern California Society of Certified Public Accountants subject to discussion		
ASSOCIATES AT LARGE.		
C. Longnecker, El Paso, Texas		1
Thos. A. Thurston, El Paso		1
William P. Hilton, Norfolk, Va		1
Total	87	49
	49	
Total new members	136	

The reports of the various committees contain a summary of the more important matters which are before the Association and are of unusual interest. The reports of the Committees on Legislation, Journal of Accountancy, and Education are of especial interest. The Trustees by resolution referred the matters contained in the reports on Professional Ethics and Rules of Ethics and Conciliation, to their respective New Committees for further consideration with a recommendation that changes in the rules be referred to the new Executive Committee for reference to the new Committee on By-laws.

The Trustees recommend the adoption of the report of the Committee on Appropriations-Budget, containing the Budget of Expenses for the ensuing year amounting to $3,750.00, divided between the various accounts and Committees of the Association and the amounts appropriated be expended. They also recommend a resolution that the unexpended balances of appropriations last year be returned to the general treasury.

The reports of the Executive Committee and of the Treasurer have just been received and are as follows:

Report of the Executive Committee.

In pursuance of the By-Laws, Article 1, Section 8, your Executive Committee present a report of their proceedings for the fiscal year ending September 30, 1908.

Your committee since the close of the last financial year, have held nine meetings, viz.: October 31, 1907, December 30, 1907, January 24, 1908, March 12, 1908, April 20, 1908, June 8, 1908, August 17, 1908, September 24, 1908, and October 15, 1908. A record of the attendance of the members is as follows:

President Sells	8
Secretary Roberts	9
Treasurer Westermann	–
Franklin Allen	5
J. E. Sterrett	9
Adam A. Ross	5
*E. L. Suffern	6

*Mr. Suffern was elected in the place of the late Mr. T. P. Ryan, and took this seat for the first time on March 12, 1908.

At all of these meetings, a record of their proceedings was duly kept.

In consequence of the death of Mr. T. P. Ryan, Mr. A. L. Dickinson was appointed chairman of the *By-Laws Committee* and Mr. Thos. L. Berry was appointed to fill the vacancy; and Mr. E. L. Suffern was appointed a member of the Committee on *Review of Appropriations-Budget.*

The Committee on Appropriations-Budget made the following presentment at the annual meeting, 1907:

Secretary's Salary	$900.00
Stationery and Printing	700.00
Postages, Express, Telegrams and Sundries	600.00
Journal of Accountancy	500.00
Annual Meeting, 1908	400.00
Committees—Legislation	150.00
Conciliation	150.00
Press and Publicity	100.00
Executive	100.00
	$3,600.00

Your Committee have audited, and ordered paid, the following bills:

1907				
Oct. 15	Stationery and Printing,			
	Miss Daisy T. Meyer, Neostyle Work		$34.05	
	Incidental Expenses,			
	American Flag Company		51.50	
16	Annual Meeting, 1907,			
	Amount voted at sem-annual meeting April 16, 1907		400.00	
31	Treasurer's expenses:			
	Guy H. Kennedy		200.00	
	General expenses:			
	American Flag Co.		6.00	$691.55
Nov. 22	Unexpended Appropriation:			
	Annual Meeting, 1907, amount to credit of Press and Publicity Appropriation		$100.00	$100.00
Dec. 28	Printing and Stationery:			
	John Polhemus Co.		18.00	
	American Bank Note Co.		33.25	
	A. H. Kellogg Co.		31.50	
	Surplus, 1907:			
	Francis Ogilvie, returned fees		35.00	
	J. G. Almour, returned fees		10.00	
	Secretary's Salary:			
	Three month to Dec. 31		225.00	
		Forward,	$352.75	$791.55

	Brought forward,	$352.75	$791.55
	Petty Cash to Dec. 24, 1907:		
	Unexpended Appropriation	$26.54	
	Postages	17.25	
	Telegrams and Telephone	2.47	
	Sundries	19.85	
	Stationery and printing	15.25	$434.11
1908			
Jan. 24	Telegrams:		
	Western Union, as to T. P. Ryan's death and funeral	$22.54	
	Printing:		
	A. H. Kellogg	21.00	
	Executive Committee Incidentals:		
	Engrossing testimonials,		
	Minnesota Society	12.50	
	Commercial Club	8.00	
	T. P. Ryan	15.00	
	Expressage	1.70	
	Printing:		
	Accountancy Pub. Co.,		
	Proposed Amendments	22.50	
	Reports of Committees	20.00	$123.24
1908.			
Mar. 31	Secretary's Salary:		
	Three months to March 31	$225.00	
	Accountancy Pub. Co.:		
	One-half year's appropriation	250.00	
	Postages	10.50	
	Telegram	.60	
	Treasurer's Bond	8.00	
	Printing and Stationery:		
	Miss D. T. Meyer, Neostyle Work	13.45	$507.55
Apr. 20	Postages	$19.00	
	Neostyle Work	14.10	
	Bank Exchange	.50	$33.60
	Printing and Stationery:		
	A. H. Kellogg,		
	250 copies C. P. A. laws	$ 42.50	
	250 copies Constitution and By-laws.	35.00	
	1,000 Year Books	304.50	
	250 envelopes, C. P. A. laws	3.50	
	Postages:		
	105 8c stamps for mailing Year Books.	8.40	
	Stationery and Printing:		
	John Polhemus Printing Co.	35.10	
	Sundries:		
	A. Hartkorn, engrossing 96 certificates of membership	38.40	
	Unexpended Appropriations:		
	H. M. Temple, payment to him of refund of expense by J. E. Sterrett, which had been forwarded to Treas. Westermann instead of Mr. Temple	110.00	
	Suspense Creditors:		
	Returned fees	70.00	
	Surplus:		
	Returned fees	15.00	$662.40
	Forward,		$2552.45

		Brought forward,		$2552.45
June	8	Sundries:		
		Postages	$4.00	
		Advertisement Trow's Directory	3.00	
		Advertisement Accountants' Diary	14.61	
		Geo. R. Bishop:		
		Stenographer in attendance at Board of Trustees' Meeting	46.80	
		A. Hartkorn:		
		Engrossing 42 certificates	16.80	
	22	Year Book, $1 Edition:		
		A. H. Kellogg on account	600.00	
	30	Secretary's Salary:		
		Three months to date	$225.00	$910.21
July	18	Year Book, $1 Edition:		
		A. H. Kellogg on account		$152.50
Aug.	31	A. H. Kellogg, Balance	$160.00	
		Stationery and Printing:		
		American Bank Note Co.	20.50	$180.50
Sept.	30	Annual meeting, 1908:		
		Appropriation	$400.00	
		Secretary's Salary:		
		Three months to date	225.00	
		Stationery and printing:		
		John Polhemus Co.	28.85	
		Miss Meyer, Neostyle Work	11.70	
		Postages	22.00	
		Accountancy Pub. Co.:		
		One-half year's appropriation	250.00	
		Year Book:		
		Accountancy Pub. Co.	96.75	$1,034.30
		Total Payments		$4,829.96

The Year Book, bound edition has proved an unqualified success; 1112 copies were sold, all of which, with one exception ($2.00) have been paid for $1,110 00
The cost of printing was 912 50

Surplus ..... $ 197 50

Half of this sum was payable to THE JOURNAL OF ACCOUNTANCY, so $98.75 is the net profit derived from this source.

Correspondence has been held with professional men in the States of Florida and Virginia, with reference to the formation of accountant societies in those States, and ultimate membership in the Association.

In the general correspondence, which has been brought before your committee, all matters relating to other committees have been forwarded to the chairman of the various committees to which they relate.

No business has been referred to this committee by the Board of Trustees.

The committee acknowledge the courtesy of the Federal Institute of Accountants, Victoria, and the Society of Accountants and Auditors, Transvaal Branch, in sending copies of their annual report, the Society of Incorporated Accountants and Auditors, for a copy of their Year Book, 1907-8, and to the Institute of Chartered Accountants in England and Wales for a list of members, 1908.

Report of the Treasurer.

RECEIPTS AND DISBURSEMENTS FOR THE YEAR ENDING SEPTEMBER 30, 1908

RECEIPTS

Dues	$3,500.46	
Initiation Fees	95.00	
Year Book	1,110.00	
Expenses Refunded	110.00	
Interest	46.59	$4,862.05

DISBURSEMENTS

Year Book	$1,009.25	
Secretary's Services	900.00	
Stationery and Printing	678.60	
Unexpended Balances of Appropriations September 30, 1907	612.09	
Journal of Accountancy	500.00	
Annual Meeting, 1908	400.00	
Postage, Express, Telegrams and Sundries	252.82	
Treasurer's Expenses, 1907	200.00	
Initiation Fees	115.00	
Special Appropriation	110.00	
Executive Committee	37.20	
Dues	25.00	$4,839.96*
Net Receipts for the Year Ending September, 30, 1908		$22.09
Cash in Bank and on hand September 30, 1907		1,940.11
Cash in Bank and on hand September 30, 1908		$1,962.20

*This includes $10.00 dues paid to the Treasurer, which were personally refunded by him.

The Balance September 30, 1908, of $1,962.20 is accounted for by Balances on Deposit and Petty Cash Fund as follows:

Commonwealth Trust Company, St. Louis	$1,661.81
Trust Company of America, New York City	225.39
Petty Cash Fund	75.00
Total	$1,962.20

REVENUE AND EXPENSE FOR THE YEAR ENDING SEPTEMBER, 30, 1908.

REVENUE

Dues:			
Fellows at Large	$1,095.00		
Associates at Large	160.00	$1,255.00	
State Societies:			
Fellows	$2,141.29		
Associates	248.75	2,390.04	$3,645.04
Initiation Fees		$180.00	
Less Refunds and amount written off		115.00	65.00
Year Book, Sales		$1,110.00	
Less Expenditures		1,009.25	100.75
		Forward,	$3810.79

	Brought Forward,		$3810.79
Expenses Refunded, Contra Special Appropriation Voucher No. 71...			110.00
Unexpended Balances September 30, 1907		$870.27	
Less Expenditures		612.09	
			258.18
Interest			46.59
Total			$4,225.56

EXPENSE

	Expenditures	Unexpended Balances	Appropriations Budget
Secretary's Services	$900.00		$900.00
Stationery and Printing	678.60	$21.40	700.00
Postage, Express, Telegrams, and Sundries	252.82	347.18	600.00
Journal of Accountancy	500.00		500.00
Annual Meeting, 1908	400.00		400.00
Committees—Legislation		150.00	150.00
Conciliation		150.00	150.00
Press and Publicity		100.00	100.00
Executive	37.20	62.80	100.00
Treasurer's Expenses	200.00		200.00
Executive Committee, 1907		150.00	150.00
Special Appropriation—Voucher No. 71 Contra Expenses Refunded	110.00		110.00
Total	$3,078.62	$981.38	$4,060.00

Net Revenue for the year ending September 30, 1908	$165.56
Surplus September 30, 1907	964.01
Surplus September 30, 1908	$1,129.57

BALANCE SHEET SEPTEMBER 30, 1908.

ASSETS

Cash in Bank and on Hand:		
Commonwealth Trust Company, St. Louis	$1,661.81	
Trust Company of America, New York	225.39	
Petty Cash Fund in hands of Secretary	50.00	
Petty Cash Fund in hands of Treasurer	25.00	$1,962.20
Unpaid dues		195.00
Total		$2,157.20

LIABILITIES

Unexpended Balances of Appropriations:		
Stationery and Printing	$21.40	
Postage, Express, Telegrams and Sundries	347.18	
Committee on Legislation	150.00	
Committee on Conciliation	150.00	
Committee on Press and Publicity	100.00	
Executive Committee, 1908	62.80	
Executive Committee, 1907	150.00	
Forward,		$981.38

Brought forward,	$981.38
Dues paid in advance	46.25
Surplus	1,129.57
Total	$2,157.20

Respectfully submitted,
H. T. WESTERMANN,
Treasurer.

Audited and found correct,
H. A. KELLER,
A. E. FOWLIE,
Auditors.

See Auditor's Report on Page 101.

The Trustees will find it of great convenience to hold a meeting of their body the day before the General Meeting of the Association. Under the provisions of the By-laws this meeting is necessarily special. They recommend a change in the By-laws to provide for the regular board meeting on the third Monday in April and October instead of the third Tuesday; and also a provision for a regular meeting of the board of Trustees on the third Wednesday of October, which will provide for a regular meeting of the newly elected Board of Trustees for the purpose of organization.

Respectfully submitted,
E. W. SELLS, *President.*
THOS. CULLEN ROBERTS, *Secretary.*
For the Board of Trustees.

After the adoption of the foregoing report the meeting adjourned until 2:30 o'clock.

Second Session, Tuesday Afternoon, October 20.

The second session of the Convention was called to order by the President at 2:30 o'clock.

The following report of the Committee on Credentials was received and unanimously adopted:

Report of Committee on Credentials.

Total Societies in our membership	20
Societies represented	19
Total votes of Societies represented by delegates	489
Fellows at large:	
Elected prior to 1-10-05	53
Elected subsequent to 1-10-05	19
	561

Respectfully submitted,
R. H. MONTGOMERY, Chairman.

On motion, the reading of the minutes was dispensed with, and the minutes of the last Annual Meeting as they appeared in THE JOURNAL OF ACCOUNTANCY for December, 1907, were unanimously approved.

On motion, the regular order of business was suspended for the purpose of discussing the subject of "Railway Accounting in Its Relation to the Twentieth Section of the Act to Regulate Commerce".

NOTE.—The papers by Prof. Henry C. Adams and Mr. A. W. Teele, and the discussions thereon appear in the Appendix pages 146 to 187.

After the discussion an adjournment was taken until 10 o'clock Wednesday morning, October 21.

Third Session Wednesday Morning, October 21.

The President called the meeting to order promptly at 10 o'clock:

THE PRESIDENT: The first thing in the regular order of business this morning is the election of officers and trustees for the ensuing year. I will appoint as tellers Mr. Davies of New Jersey, Chairman, Mr. Reckitt of Illinois, and Mr. Elliott of Tennessee. Nominations for the office of president are now in order.

MR. VOLLUM (Pennsylvania): Mr. President, the Pennsylvania Institute of Certified Public Accountants has instructed its delegates to place in nomination for the office of president of the American Association of Public Accountants, for the ensuing year, the name of Mr. Joseph E. Sterrett. I can hardly tell you how glad we are to perform this duty. It is not necessary to tell you who Mr. Sterrett is. You know him already in connection with the conventions and annual meetings, and you know of the work he has done. To Pennsylvanians, Mr. Sterrett is particularly dear, both personally and for the work which he has performed. It was at his office that the first meeting was held to organize the Pennsylvania Society and during the whole time of the existence of that Society until it became a corporation under the name of the Pennsylvania Institute of Public Accountants, his hand helped to guide it to the best interests of accountants and has still continued to do so. His work has been of particular benefit in the educational line. He was one of the committee—and probably one of the prime movers of that committee—that prevailed on the University of Pennsylvania to organize a class for the teaching of accountants and before that time he was one of the instructors of those desiring knowledge in accountancy. Mr. Sterrett is one of the members of the Pennsylvania State Board of Examiners of Public Accountants, and, as president of that board, I can say that in that connection, his services have been invaluable to the board. The whole history of Mr. Sterrett in regard to the movement of the Pennsylvania Institute of Public Accountants has been one of sacrifice, and we appreciate it. I therefore, Mr. President, take great pleasure in placing the name of Mr. Joseph E. Sterrett in nomination for the presidency of the American Association of Public Accountants for the ensuing year. (Much applause.)

COL. ALLEN (New York): Mr. President, New York takes a great deal of pleasure in seconding the nomination of Mr. Sterrett, but "art is long and time is fleeting" and I won't undertake at this time to say very much after Mr. Vollum's recapitulation of Mr. Sterrett's merits. But I do

wish to say that New York applauds Mr. Vollum's sentiment as regards his competency and ability, and I trust he will be elected unanimously as our next president.

MR. WESTERMANN (Missouri): Mr. President I take great pleasure in expressing Missouri's appreciation of Mr. Sterrett, and I, therefore, on behalf of Missouri, second his nomination with the assurance that we will give him our unanimous support.

MR. BROAKER (New York): As a member-at-large, and being entirely in accord with the nomination of Mr. Sterrett of Pennsylvania, I not only second the nomination, but I also move—there being no objection and it being the sense of this Association now in convention—that we cast one vote through the Secretary for the election of Mr. Joseph E. Sterrett as president of this Association, not only to show him that it is the unanimous feeling of the Association, but also to save time. I know we are unanimous and I do not believe all the good wishes we can express will accomplish more than the compliment of a united vote for his election.

MR. DU BOIS (New Jersey): In behalf of New Jersey, I take great pleasure in seconding Mr. Broaker's motion.

THE PRESIDENT: The Chair is compelled to rule that such a motion is out of order.

COL. ALLEN (New York): I move that the nominations be closed.

THE PRESIDENT: Gentlemen, before I put that motion I will give you an opportunity for other nominations.

No other nominations were made and the motion being duly seconded, was put before the house and unanimously carried.

MR. CHASE (Massachusetts): In order that this matter be handled in a strictly parliamentary manner, I desire to make this motion: That at the time of balloting all members refrain from voting except the Secretary, who shall cast one ballot for the nominee and that this ballot be properly canvassed and the result announced by the tellers.

This motion was duly seconded and unanimously carried.

The Secretary thereupon cast the unanimous ballot of the Association for Mr. Sterrett for president for the ensuing year.

THE PRESIDENT: Gentlemen, I take great pleasure in announcing the report of the tellers on the ballot which was unanimously cast by this Association for Mr. Joseph E. Sterrett, C. P. A., of Pennsylvania, as president of the American Association of Public Accountants for the ensuing year and declare him duly elected.

The Chair appoints as a committee of one, Mr. Broaker to escort Mr. Sterrett to the front and introduce him to this convention.

MR. BROAKER (New York): In obedience to the Chair's instructions, I now present to you our newly elected president, Mr. Joseph E. Sterrett of Pennsylvania. (Applause.)

MR. JOSEPH E. STERRETT (Pennsylvania): Mr. President, and members of the American Association of Public Accountants: I sincerely appreciate your confidence and goodwill in electing me to the position of

president of the American Association of Public Accountants. It is an office of very great honor and one of very great responsibility as well. At the present moment, I feel rather overwhelmed. What with the amount of work involved and the opportunities for mistakes to occur, you may have to bear with me, but I accept the honor you have conferred upon me, and I ask your continued support during the year. It is not a matter of much importance as to what I may promise now, but it is of great importance, at least to me, what you are going to think and say a year from now, so I again ask your hearty co-operation during the coming year and I hope that I may be worthy of the great compliment you have paid me. (Much applause.)

THE PRESIDENT: Nominations for the office of Secretary are now in order.

MR. SUFFERN (New York): I desire to place in nomination for Secretary the name of our esteemed Secretary, T. Cullen Roberts of New Jersey. I need not say anything about Mr. Robert's ability, qualification or merits. You all know him. You all love him, and we of New York and of New Jersey love him more than you do, and we believe there is not a better secretary in the United States. I therefore take much pleasure in nominating T. Cullen Roberts of New Jersey as Secretary for the ensuing year.

MR. CONANT (New York): As a fellow-at-large, I take pleasure in seconding the nomination of Mr. T. Cullen Roberts of New Jersey as Secretary for the ensuing year.

MR. MONTGOMERY (Pennsylvania): Mr. President, in behalf of Pennsylvania, I desire to second the nomination made by Mr. Suffern that Mr. T. Cullen Roberts of New Jersey be rëelected Secretary of the Association for the ensuing year.

MR. SUFFERN (New York): I move that the nominations for Secretary be closed.

The motion was duly seconded, and nominations for Secretary declared closed.

MR. SUFFERN (New York): I move that the members refrain from voting and that the president cast one ballot for the election of T. Cullen Roberts as Secretary for the ensuing year.

The motion was duly seconded by Mr. Montgomery, put before the house and carried.

THE PRESIDENT: The president has been given authority to cast the ballot submitted by the tellers for T. Cullen Roberts as Secretary of this Association for the ensuing year and declares him to be duly elected. (Applause.)

MR. ROBERTS (New Jersey): Gentlemen, I thank you for the honor you have just bestowed upon me. I thank you for all your kindness and goodness in rëelecting me to this office and I assure you that it shall be my best endeavor to properly fill the position.

THE PRESIDENT: Nominations for the office of Treasurer are now in order.

MR. DU BOIS (New Jersey): Without going into any long explanation, or stating the good points of the gentleman I have in mind, I would like to put into nomination for the office of Treasurer the name of Mr. H. A. Keller of Ohio.

MR. MONTGOMERY (Pennsylvania): Mr. Chairman, we have a Treasurer who has served well and faithfully and I think all of us will agree that his services have been in the interest of the American Association of Public Accountants, I think we have recognized for some time that a Treasurer who has served well should have at our hands a second nomination, and in this way show our confidence in him and his work. I therefore take great pleasure, in behalf of Pennsylvania, in nominating Mr. H. T. Westermann of Missouri, for Treasurer.

MR. COOPER (Illinois): Illinois desires to second that nomination with hearty goodwill and appreciation for Mr. Westermann's excellent services in the past.

THE PRESIDENT: Are there any other nominations for Treasurer?

MR. JOPLIN (Illinois): I move the nominations be closed.

COL. ALLEN (New York): I beg to make a motion that the convention take a recess of five minutes in order to give the members an opportunity to consult regarding the respective nominees.

MR. MONTGOMERY (Pennsylvania): I second that motion.

THE PRESIDENT: It has been moved and seconded that the convention take a recess of five minutes to consider the matter of nominations for Treasurer. The question is before you, gentlemen. (Motion carried.)

CONVENTION RE-CONVENES:

MR. CHASE (Massachusetts): May I ask Mr. Chairman, whether Mr. Keller's nomination was seconded?

MR. FISHER (New York): If not, Mr. Chairman, I would like to second the nomination of Mr. Keller.

THE PRESIDENT: Before we proceed with the nominations for Treasurer, I have been asked by the board of tellers to announce that Mr. Montgomery, Chairman of the Credential Committee, wishes to make a slight alteration in his report. We will grant this privilege to Mr. Montgomery at this time.

MR. MONTGOMERY (Pennsylvania): Mr. Chairman, I am requested by Mr. Teichmann of Maryland, who is a fellow-at-large, and also a member of the Maryland Society, to reduce the Maryland Society number of votes by one and to give him the privilege of voting as a fellow-at-large. He is otherwise properly qualified but his name was included in the Maryland list without his consent, and I would make a motion that the tellers reduce the Maryland vote by one and allow Mr. Teichmann the privilege of voting as a fellow-at-large.

MR. HALL (Maryland): As president of the Maryland Society, and in order to place ourselves in the right light with Mr. Teichmann, who desires to vote as a fellow-at-large, we wish to state that we were not

aware that Mr. Teichmann wished to vote as a fellow-at-large and for this reason his name was included in our membership list.

MR. TEICHMANN (Maryland): Mr. Chairman, I have always voted as a fellow-at-large and I desire this privilege at this meeting.

Mr. Montgomery's motion having been duly seconded, it was voted that the report of the Credential Committee be changed permitting Mr. Teichmann to vote as a member-at-large instead of through the Maryland Association.

THE PRESIDENT: The tellers are ready to report on the election of Treasurer.

The tellers reported as follows:

Total vote of Association	561
Votes cast	504
Votes cast for H. T. Westermann	265
" " " H. A. Keller	239
	504
Majority for H. T. Westermann as Treasurer for ensuing year	26

ERNEST RECKITT,
EDWARD S. ELLIOTT,
Tellers.

W. SANDERS DAVIES, *Chairman.*

THE PRESIDENT: Mr. Westermann is duly elected Treasurer for the ensuing year.

Nominations are now in order for two Auditors. The retiring Auditors are Messrs. H. A. Keller and Alexander E. Fowlie.

MR. FISHER (New York): I move the nomination of Mr. Fowlie for Auditor.

(Seconded by Mr. Cooper.)

MR. MONTGOMERY (Pennsylvania): I move the nomination of Mr. Keller.

(Seconded by Mr. Cooper.)

MR. TEELE (New York): I move that nominations be closed.

(Seconded by Mr. Greenway.)

(Motion carried.)

MR. FISHER (New York): I move that the same procedure that was taken in the election of the President and Secretary be followed.

(Motion carried.)

THE PRESIDENT: The Secretary is authorized to hand the tellers the ballot for the parties nominated.

The ballot having been prepared by the Secretary, and submitted to the tellers, for Mr. H. A. Keller and Mr. A. E. Fowlie, as Auditors for the ensuing year, those gentlemen are declared reëlected.

THE PRESIDENT: Nominations for four Trustees are now in order. Before they are made, for the information of members, I would like to read Section 3 of Article IV of the Constitution:

(Section read by the president.)

MR. COOPER (Illinois): As a delegate for the Illinois Society, I have much pleasure in nominating for Trustees in place of the three retiring, Franklin Allen, member-at-large, New York City; Robert H. Montgomery of Pennsylvania; both of these gentlemen to succeed themselves. Mr. Thomas L. Berry of Maryland, for the third full term candidate, and Mr. Harvey S. Chase to succeed Mr. Joseph E. Sterrett.

MR. FRANKLIN ALLEN (New York): Mr. President and gentlemen, on behalf of the State of New York, we think that in view of the conspicuously able services of our retiring president, Mr. Elijah W. Sells, that we are in duty bound to present his name to you with the utmost confidence that he will, if elected, serve this organization with conspicuous fidelity. We therefore submit his name as a nominee for a full Trusteeship for three years.

After some discussion (during which Mr. W. Sanders Davies of New Jersey assumed the chair at the president's request), as to the order and method of voting it was decided that election be held for a Trustee to fill the unexpired term of two years. The names of Harvey S. Chase and Thomas L. Berry were placed in nomination. A vote having been taken, the tellers made the following report:

Vote on Trustees for two-year term:	
Total voting	515
In favor of Harvey S. Chase	312
In favor of Thomas L. Berry	203
Majority in favor of Harvey S. Chase	109

ERNEST RECKITT,
EDWARD S. ELLIOTT,
Tellers.

W. SANDERS DAVIES, *Chairman.*

THE CHAIRMAN: In accordance with the report of the tellers, the Chair declares elected for the term of two years, to succeed Mr. Sterrett, Mr. Harvey S. Chase of Massachusetts.

We will now proceed to the ballot for the three-year period. The following names having been placed in nomination: Franklin Allen, R. H. Montgomery, Elijah W. Sells, and Thos. L. Berry.

THE PRESIDENT (resuming the chair): It may have been noticed that we did not have a report from Michigan when the Trustees submitted the reports of societies and trustees. I am in receipt this morning of a letter from Mr. Springer, the Secretary of that Society, which I think is rather interesting, and I will ask the Secretary to read it.

(Report read.)

THE PRESIDENT: The tellers are ready to report. I will ask Mr. Loomis, president of the New York State Society to take the chair.

(Mr. Loomis assumes the chair.)

THE CHAIRMAN: We will listen to a report of the tellers.

The tellers made the following report:

Vote for Trustees to serve three-years' term:

Franklin Allen	440
R. H. Montgomery	406
E. W. Sells	364
T. L. Berry	331

Two blank ballots.

ERNEST RECKITT,
EDWARD S. ELLIOTT,
Tellers.

W. SANDERS DAVIES, *Chairman.*

THE CHAIRMAN: The Chair announces the election of Messrs. Allen, Montgomery, and Sells, to serve as Trustees of this Association for a period of three years.

(The president resumes the chair.)

THE PRESIDENT: We will now proceed to new business. There is one rather important matter to be acted upon. Article 2, Section 2, of the By-laws reads: "The Annual Meeting shall be held at such place in the United States as the members in annual meeting of the preceding year shall decide." Shall we act on that matter?

MR. FOWLIE (Colorado): Mr. President, and gentlemen of the convention. In behalf of the Colorado Society of Certified Public Accountants, I take pleasure in extending the cordial invitation of our Society to the members of the American Association of Public Accountants to meet in Denver in 1909.

I am just in receipt of the following telegram:

"Present invitation from Denver to American Association of Public Accountants for session of 1909.

"Assure them of a cordial welcome and the hospitality of Denver which has been proven so many times.

"(Signed) HENRY A. BUCHTEL, *Governor of Colorado.*
"ROBERT W. SPEER, *Mayor of Denver.*
"THE DENVER CONVENTION LEAGUE."

MR. FISHER (New York): As a gentleman from the Pacific Coast, representing the California Society, I want to say that we hope you will come out where we have big hearts and will give you a great time on the highest peaks of the United States. I second the selection of Denver as the Convention City for 1909.

MR. MONTGOMERY (Pennsylvania): I have the honor to represent the greatest state in the union, Washington. I wish to most cordially invite all the members of the Association on their way west to continue their trip a little further and visit the state which I represent, and I can assure them of the most cordial reception from that state.

MR. TEELE (New York): I move that this Association accept the invitation extended to this Society and that Denver be specified as the place where this Association shall hold its meeting in 1909.

(This motion was unanimously carried.)

MR. MONTGOMERY (Pennsylvania): Under the head of new business, I would like to bring up the question mentioned last year at St. Paul. Some of the members living in the south, west and east, have raised the point that special railroad rates can not be secured in the month of October, unless they leave their homes before the thirtieth of September. The climate of Denver is better in September than in October. I think the month of September is still in the vacation period of a number of accountants. The month of October falls in the month after a number of fiscal periods end, and many accountants are therefore very busy at that time. I therefore move that the By-laws Committee be instructed to prepare amendments to our By-laws to be presented at our next meeting, and to be acted upon at that time, changing those sections relating to our fiscal period which now closes on October first.

MR. TEICHMANN (Maryland): I second the motion.

MR. GOODLOE (Ohio): It would seem as though it might be well in preparing the amendments to make the time somewhat flexible, so that the first or latter part of September, or the first or middle or latter part of October, if desirable, would be available. Or if a little earlier might be desirable, the amendments could be made so flexible that the time, say duing September or October—could be determined at the annual meeting, as well as the place.

MR. MONTGOMERY (Pennsylvania): I accept the amendment.

MR. COOPER (Illinois): The proposition made by my friend, Mr. Montgomery overlooked the fact that there is no meeting of the delegates of this Association in the spring, according to the By-laws. I do not wish to be understood as against the proposition advanced, but I do think there should be some way of making this proposition in harmony with what Mr. Goodloe has spoken of, providing that the real business of the convention be placed at convenient and movable dates so that we can meet all circumstances. This is also in harmony with the point made sub-rosa by a number of our friends, anonymously, that the meetings of this convention are not strictly according to law. That I think we can easily overcome by a ratification meeting supplementing a meeting whenever and wherever we wished our general work done—a supplemental meeting in the State of New York and the convention and general business meeting wherever else we may choose to meet. Such a supplemental meeting might be a ratification meeting merely, but for the purpose of this convention and to accommodate the memberships of the societies, I think the preliminary business meetings might be held under some arrangement from time to time made in accordance with the suggestion, and as the outcome of Mr. Fowlie's remarks or suggestions.

MR. DAVIES (New Jersey): It seems to me that this is opening the door to a great deal of political wire pulling. I strongly object to politics in the American Association. I think the Association meeting should be fixed, whether it is in September or October is immaterial, but that it should be a fixed date I am sure. It does not seem to me that it matters whether the date suits the convenience of the president, or the treasurer,

or the delegates of the Illinois, New Jersey, New York, or any other societies. Delegates are elected by the societies, as are alternates. They know when the meetings are to be held and should be prepared. If the delegates of any societies do not attend, it is their misfortune, but if you have a flexible date, it is wrong, because those who could not attend and were not consulted, could say: "This date for convention does not suit my convenience, why should I not be consulted?"

MR. RECKITT (Illinois): I think it would be a great mistake to change the date of this meeting to September for the reason that I believe many of the state societies have arranged their annual meetings so as to fit into the meetings of the American Association of Public Accountants, and to change the date to September would mean a tremendous amount of work.

MR. GOODLOE (Ohio): My idea in making the suggestion was that the meeting date should be made somewhat flexible, but that the specific time be named at the same time that the place of meeting is selected. In that way we may know at least sufficiently far ahead to make arrangements accordingly.

MR. TEELE (New York): If Mr. Goodloe wants twelve months to arrange for the date, he has it, for there are twelve months before the convention to be held one year from today. It may be possible that I can not attend the next convention, and, maybe, Mr. Fisher can not. The question of railroad rates is one we have to give some consideration to, and yet, in my judgment, if there are enough people I think I can obtain advantageous rates for travel. If we start to change the annual meeting day we will find ourselves up against a whole lot of trouble, on account of other things which have been fixed in relation to the date of this Association meeting.

After some further discussion, a vote on the motion was taken by calling the roll.

THE PRESIDENT: The Chair announces that the motion is carried.

If there is no other new business before us, a motion for a recess until this afternoon is in order, when an important paper is to be presented to you, that by Mr. Dickinson.

On motion of Mr. Montgomery, a recess was taken until 2:30 P. M. this day, October 21, 1908.

Fourth Session Wednesday Afternoon, October 21, 1908.

The meeting was called to order at 3 o'clock by the president, as follows:

THE PRESIDENT: We have a resolution passed in a previous meeting allowing us to suspend the regular order of business in the reading of papers. I will now ask for a resolution limiting the time of those who enter into the discussion of Mr. Dickinson's paper on "Accounting Practice and Procedure," to five minutes each. We have only three-

quarters of an hour in which to hold this session, as we are obliged to vacate this room at a quarter of four; the New Jersey State Society requiring it for the reception which they are giving us this afternoon.

A DELEGATE: On account of the limited session, I beg to move that the limit given to each person present who desires to speak on this paper, shall be five minutes, and that the meeting shall be adjourned promptly at a quarter of four, so that we may all be given an opportunity to be present at the New Jersey reception given in our honor.

Motion duly seconded and carried.

The meeting then proceeded to the discussion of the paper.

NOTE—Mr. Dickinson's paper and the discussion thereon appear in the Appendix pages 188 to 254.

Fifth Session, Thursday Morning, October 22, 1908.*

The President called the meeting to order promptly at 10 o'clock, as follows:

THE PRESIDENT: The first matters to be taken up this morning will be under the head of new business.

MR. CHASE (Massachusetts): It must be evident to each member of this Association as well as to our guests, and to the ladies, that this anniversary meeting of our Society may be rightfully considered an unqualified success. In point of numbers, in the character and standing of our invited guests, in the brilliancy and charm of the social features, and in the spirit of friendliness and good fellowship that has been displayed throughout these four delightful days, no previous meeting of the association has excelled this one.

To whom is this success due? Primarily to the general officers of the Association who selected the working committees and to the three state societies through whose coöperation only was this happy outcome made possible, but closer than these impersonalities—the societies—we realize that there stand the personalities, the active individuals, of the committees to whom should be given the largest measure of credit for the success of this occasion.

The General Committee of Arrangements under the chairmanship of Mr. Adam A. Ross, Jr., and the Committee of Attendance and Invitation, under the chairmanship of Mr. George Wilkinson, together with their associates and sub-committees, have borne the burden and heat of the day for our pleasure and profit. I desire to express, however inaptly, on behalf of the whole membership of the Association our deep sense of obligation to these gentlemen, and our heartfelt gratitude to them for their arduous labors in our behalf. I desire to convey to them this expression of our appreciation in the form of a resolution upon which I will ask the president to call for a rising vote.

RESOLVED, That the thanks of the American Association of Public Accountants be conveyed to the chairmen and associate members of the

*Note. A special session was held on Wednesday evening, October 21, to greet the delegates from other Societies. The report of this meeting is printed on pages 61 to 81 inclusive.

committees on General Arrangements and of Attendance and Invitation and their assistants, by a suitably engrossed scroll to be signed by the President and Secretary of this Association and presented to each member of these committees in such form that it may be evidence of our deep appreciation and of our warm commendation for the self-sacrificing labors of these gentlemen, individually and collectively, in behalf of this Association and its honored guests.

THE PRESIDENT: I am sure you all want to second that resolution, and in voting on it I am going to ask you to rise.

The motion was put before the house and carried unanimously.

MR. WHITE (Illinois): Mr. President, I desire to present the following resolution:

BE IT RESOLVED, That the hearty thanks of the American Association of Public Accountants are hereby conveyed to the gentlemen who have so kindly assisted in very great measure toward the permanent value of the work of this meeting of the American Association by the preparation of the important papers which have been presented to us, namely, by Mr. Henry C. Adams and Mr. Arthur W. Teele upon "Railway Accounting in Relation to the Twentieth Section of the Act to Regulate Commerce"; by Mr. A. Lowes Dickinson, upon "Accounting Practice and Procedure"; and by Mr. William M. Lybrand upon "The Accounting of Industrial Enterprises."

BE IT FURTHER RESOLVED, That there shall be included in this expression of gratitude, the names of the gentlemen who have contributed to the discussion of these papers at the various sessions of this meeting, and that hereby the Association conveys to these gentlemen individually its warm appreciation of their efforts and of their valuable contributions toward the successful outcome of this great gathering, which in certain respects is so truly representative of our profession, not of America only, but of the English-speaking world.

BE IT FURTHER RESOLVED, That a copy of these resolutions be transmitted by the Secretary to each of the gentlemen to whom the thanks of the Association are hereby conveyed.

The motion was put before the house and unanimously carried.

MR. MONTGOMERY (Pennsylvania): Mr. President, under the head of new business, I wish to say that I think it would be a great mistake for this annual meeting to adjourn without taking some notice of the report of Committee on Credit Information, contained in the proceedings of the convention of the American Bankers' Association, held at Denver, Colorado, September 28 to October 2, 1908, toward the exploiting of the profession throughout the entire United States. I have in my hand the report of the Committee on Credit Information. In this report, it is mentioned that the question had been put up to the committee to establish a credit bureau which in effect would be a clearing house of financial reports. The establishment of such a bureau would have been along the lines of collecting and distributing information to members concerning the

credit standing and financial responsibility of all concerns whose paper was sold through note brokers, and would be along the line of governmental supervision in a private sense, that is, the bureau itself would be similar to a mercantile agency. The committee reported unanimously against that provision as follows: "After several conferences and mature consideration, your Committee concluded unanimously that the establishment of such a bureau would certainly be a costly experiment and possibly a serious mistake. However, your Committee believed that the effective machinery and vast influence of the Association could be utilized to secure practical benefits along these lines within certain limitations. The Committee so reported in detail to the Executive Council." The Committee recommended a plan for filing reports of Certified Public Accountants and registering notes under the supervision of the several clearing house committees in New York, Chicago, St. Louis, Philadelphia and Boston. The Committee stated in their report that they had endeavored by personal work, by addresses at bankers' conventions and by articles in the press, to arouse interest in this subject, to point out existing abuses, and to create a sentiment favorable toward the adoption of the proposed plan. Mr. Chairman, it seems to me that when the American Bankers' Association makes such a strenuous effort to arouse public sentiment, that we, in a measure, should submit at least a resolution endorsing their work. They speak of personal work, speeches at bankers' conventions and articles in the press, and I think, if the same is in order, that we should take some notice of the work done by the Bankers' Association. They state also in that report that "they respectfully urge that every member exert his influence to have all paper purchased from note brokers presented with accompanying statements audited by Certified Public Accountants, and note brokers' certificate of paper outstanding at the time of purchase * * *. To that end, we would ask that the Association by the adoption of this report recommend that its members in purchasing commercial paper from note brokers, give preference to such names as furnish accompanying statements audited by Certified Public Accountants and certificates signed by the note brokers of the amount of paper outstanding at the time of purchase." I would move, Mr. President, that a special committee be appointed to consider this matter.

Motion seconded, put before the house and unanimously carried.

Mr. Cooper (Illinois): Appropos of the disposition of the bankers to require their financial statements from borrowers to be certified to by public accountants, it is known that in western states the managers of the several banks of a certain city proposed to give to such borrowers as would present certified statements of their condition a preference in the rate of interest of a quarter of one per cent. over such borrowers as did not, or would not, present such certified statement.

In our own State of Illinois, the Clearing House Committee of the City of Chicago banks are considering the propriety of insisting upon the presentation by borrowing merchants of such statements certified to by public accountants.

Motion put before the house and unanimously carried.

MR. SUFFERN (New York): I move, Mr. President, that after the adjournment of this meeting that subscriptions be solicited and received for the new Year Book by the Secretary or the Treasurer, and that a committee be appointed to take charge of the preparation of this Year Book, and that the expense be limited in the preparation of the book to the amount of the subscription received, and that the matter be referred to the Secretary and Treasurer of the Association.

MR. JOPLIN (Illinois): I would rather object to the limitation of expense, as it seems to me that the Year Book containing the proceedings of this meeting ought to be prepared whether the subscriptions are sufficient for it or not, and I would, therefore, not be in favor of the motion which Mr. Suffern has just offered.

MR. SUFFERN (New York): Mr. President, my motion was intended to express that the Year Book be prepared, but that the cost of that Year Book should be at a moderate expense, and that the amount of the expenditure should not exceed the amount of contribution. We undoubtedly will have subscriptions enough to justify the printing and preparation of the book.

MR. MONTGOMERY (Pennsylvania): Do I understand that the preparation of the Year Book is to be referred to some one?

THE PRESIDENT: It is customary for the Secretary to supervise the preparation of the Year Book.

MR. MONTGOMERY (Pennsylvania): Mr. Suffern has suggested that there be a committee appointed to assist the Secretary and I would suggest that that committee be composed of members from the three Societies, Pennsylvania, New York and New Jersey to assist the Secretary.

MR. SUFFERN (New York): I am very glad, Mr. President, to accept Mr. Montgomery's suggestion and will add that to my motion.

THE PRESIDENT: The practice heretofore has been to take up subscriptions for the Year Book and that has always been successful. There has been no appropriation made for this purpose either in former years or this year, and if you do not proceed on the lines of the resolution I do not believe we will have any means for getting out the Year Book.

The motion as presented by Mr. Suffern and amended by Mr. Montgomery was duly put before the house and unanimously carried.

THE PRESIDENT: I should like some one to offer a resolution as to the time limit on the paper about to be presented, entitled, "The Accounting of Industrial Enterprises by Mr. William M. Lybrand, C. P. A."

MR. SUFFERN (New York): Mr. President, I offer a resolution as follows: Resolved, That the time for the discussion of the paper on "Industrial Accounting" be limited to one hour and that each participant be allowed five minutes for his discussion thereof.

Resolution adopted.

THE PRESIDENT: Before we proceed with Mr. Lybrand's paper, we will have the very pleasant duty of installing our new officers who were elected yesterday. Is Mr. Vollum in the room? I am asking for Mr. Vollum, as

I believe he made the nomination for Mr. Sterrett yesterday. As Mr. Vollum is not in the room, I will ask Mr. Montgomery—who, I believe, seconded Mr. Sterrett's nomination, along with Col. Allen of New York, and Mr. Du Bois of New Jersey.

MR. MONTGOMERY (Pennsylvania): Mr. President, I seconded Mr. Sterrett's nomination on behalf of Washington.

THE PRESIDENT (Continuing): I will therefore appoint Mr. Montgomery as the escort of our new President, and I will ask him to conduct him to the Chair at this time.

MR. MONTGOMERY (Pennsylvania): Mr. President, and gentlemen of the convention, I take much pleasure in presenting to you our new President, Mr. Joseph E. Sterrett of Pennsylvania. (Prolonged applause.)

PRESIDENT SELLS: I congratulate you, President Sterrett, and vacate this Chair in your honor.

PRESIDENT STERRETT: Gentlemen, the retiring President goes out with such a blaze of glory that it is quite unnecessary for the incoming President to make himself conspicuous by endeavoring to make an address to you this morning. I do, however, desire to express my deep sense of appreciation of the goodwill and confidence you have shown to me, and I desire especially to thank my predecessor for his very courteous reception of me just now and also for the pleasant relations that have existed between us during the past year when we have been closely associated in the work of the Executive Committee. We have two other officers who were reëlected yesterday, our worthy Secretary and our very efficient Treasurer. I take great pleasure in presenting Mr. T. Cullen Roberts, the Secretary for the ensuing year.

SECRETARY ROBERTS: Gentlemen, I thank you for the honor you have conferred upon me by reëlecting me again as your Secretary. It has always been a great pleasure to do the work of this Association, and if you will only have patience with me during the coming year, I will endeavor to excel myself in the past. (Great applause.)

THE PRESIDENT: I now wish to present to you the Treasurer for the ensuing year, Mr. H. T. Westermann of Missouri. (Great applause.)

MR. WESTERMANN (Missouri): Mr. President and gentlemen of the convention, all I can say to you at this moment is that I also have a deep sense of appreciation for your goodwill in allowing me to succeed myself and assure you that I appreciate with gratitude the recognition of my past services in your reëlection of me to this office.

THE PRESIDENT: We will now proceed to the next order of business on the program and consider the paper that is to be presented entitled, "The Accounting of Industrial Enterprises." *

NOTE.—Mr. Lybrand's paper and the discussion thereon appear in the Appendix pages 255 to 311.

MR. VOLLUM (Pennsylvania): During the sessions of the American Association, there have been several meetings of the different State Boards of Examiners of Public Accountants. The result of those meetings has been the formation of a society of individual members of these boards, for the purpose of advice and information, and for the purpose of getting

more uniform examinations and to systematize matters as far as we can under our different laws. I have been appointed chairman of the committee to notify the American Association of the organization of this Society, and we hope that it will be of great benefit to Public Ascountants.

THE PRESIDENT: We will now stand adjourned to meet on the third Tuesday of October, 1909, at Denver, Colorado.

Special Session

For the Purpose of Greeting the Delegates Representing Societies Outside the United States, Wednesday Evening, October 21, 1908.

The meeting was opened at 8.30 o'clock by President Sells who introduced Mr. Adam A. Ross, Jr., of Pennsylvania, who was chosen to act as Chairman.

THE CHAIRMAN: This convention is unique in the history of accountancy by reason of the unusual number of delegates in attendance from the three great English-speaking countries of the world. The purpose of this informal session of the American Association, is to meet and welcome the representatives of the societies of professional accountants outside the United States, and the occasion is altogether a very pleasant one. While perhaps I a mnot the proper official to preside here, I feel honored in being afforded an opportunity to assist in carrying out the evening's programme.

We have enjoyed very much the attendance of our distinguished professional brethren from Great Britain and Canada, with most of whom we have become quite well acquainted. The committee arranged this session in order that we might have the pleasure of hearing a word or two from each of the accredited delegates representing these societies. I now have great pleasure in presenting to you a member of the Council of the Institute of Chartered Accountants in England and Wales and that society's delegate to this convention—Mr. William Plender, F. C. A. of London.

MR. WILLIAM PLENDER, Member of Council, Institute of Chartered Accountants in England and Wales.

MR. CHAIRMAN, LADIES AND GENTLEMEN:

When the courteous invitation from the Board of Trustees of the American Association of Public Accountants was received by the President and Council of the Institute of Chartered Accountants in England and Wales, a unanimous wish was at once expressed that the invitation be accepted with all cordiality, and I was chosen to officially represent the Institute, and to express, on their behalf, our sympathy with your work, our admiration for your past, and a profound hope that your future will be still brighter in its widening prospects and its broadening influences.

I bring no resolution recorded on parchment, but I do bring—untouched with envy—from the great Institute to which I belong, its warmest and sincerest congratulations, and an expression of the confident hope that the measure of success which you have so far achieved—great as it has been—is but the precursor of an abiding and ever-increasing sphere of influence in the future.

To me personally, it was a great honor and pleasure to be selected as the delegate of the Institute, as it gave me an opportunity of renewing friendships in America which I deeply cherish, and of making new friends among the many distinguished accountants it has been my privilege to meet here.

Twenty-one years may be said by some to be a short time in the life of Institutions; though in the origin and development of great movements, that period has witnessed monarchies won for Democracy, and colonies for Republicanism. It has been long enough in your case to test vitality, to mark solidity, and by experience gained, to shape and direct a policy whose outcome is benefitting, not merely yourselves, but the commercial community of the United States. It is fitting, therefore, that we should be represented at your coming of age and join in the world-wide congratulations that flow to you.

I may say that the Institute of Chartered Accountants has now had a life of twenty-eight years; its members number 3,873, of whom 2,956 are qualified by examination. It has fulfilled its primary object of elevating in public esteem the profession of Public Accountants, by compelling the observance of strict rules of conduct, and of setting up a high standard of professional and general knowledge and education. The Institute has no branches over seas; but its members are to be found, not only in all countries where the Anglo-Saxon tongue predominates, but in India, Egypt, East, West and South Africa, Cuba, Chili, Japan, and the far off isles of the Pacific. The members of the Institute and our friends of the Society of Accountants occupy a position in England which is regarded with respect and esteem and hardly any commercial enterprise is launched without the services of our members being requisitioned. My hope is that your conduct and professional skill will be such that you will likewise become a necessity of the great financial, commercial and industrial enterprises, whose products display the ability and ingenuity which have given America so prominent a place among the commercial nations of the world.

It has been well said that an historian's chief attributes are sagacity, clearness and order—not an inapplicable direction for us whose first duty must always be to arrive, however laboriously, at facts as closely as frail human effort permits, for nothing makes men reason so badly, or makes their conclusions so dangerous as ignorance of facts.

These reflections may be trite, but they are not the less deserving of remembrance, as the desire to extend individual influence, the efforts to secure work, and the means—not always defensible—that are exerted to

obtain business, blunt sensibilities, dull ideals, and not seldom affect the disinterestedness and fruitfulness of our labor.

By all means grow—but grow warily and wisely; by all means advance—but advance circumspectly, and there will be for you no little reward, and for those that come after you a heritage of which no one need be ashamed.

I may perhaps be pardoned if I say that from boyhood I have always cherished a love for America. It is over twenty years since I first visited this country, and I see great changes, great developments, and vast improvements. I was born in the year the Civil War ended, and I can remember well my father telling me, as a child at his knee, of that supreme conflict out of which grew a great and all-powerful Nation. The hope was then kindled in me—since fulfilled—of visiting some of the scenes where the long-drawn battles took place. I never walk through the streets of Richmond without thinking of the heroic figure which touched the imagination of the world—unprotected by police and unguarded by soldiers—who, after the seizure of the city by the Federal troops, walked alone to the Capitol, worshipped by those to whom his efforts brought freedom. If we, in the exercise of our work, would take as our type the high character, the patience, and the untiring industry of Abraham Lincoln, we would, as members of no mean profession, make that profession honored in the countries in which it is our privilege to live and whose communities it is our happiness to serve.

THE CHAIRMAN: Those of us who were so fortunate as to attend the St. Louis Congress of Accountants four years ago will remember the vigorous secretary of one of the great English societies who was in attendance at that convention, Mr. James Martin, of The Society of Incorporated Accountants and Auditors. At this meeting of the American Association we are fortunate in having both the President and the Vice-President of that society with us, and I have great pleasure in calling on Mr. Harry Lloyd Price of Manchester, the president of the Society of Incorporated Accountants and Auditors.

MR. HARRY LLOYD PRICE (President, The Society of Incorporated Accountants and Auditors, London).

MR. CHAIRMAN, LADIES AND GENTLEMEN:

It never falls to my lot to take some important part in so interesting a convention as this without being reminded of a somewhat humorous incident, which occurred within my own experience in my own city of Manchester. In one of our large parks and near my home, a labor demonstration was in progress, and in a casual mood I sauntered into the park where I found disposed at various points, horse wagons which were to constitute the temporary platforms for their meeting. Remaining by one of them, an announcement was made that owing to some inadvertence the speaker of the day had failed to put in an appearance, but that another had been appointed in his stead, and then a shock-headed Saxon mounted the rostrum and began in this wise:

"When fust I cum into this 'ere park I never expected to find mesel' standing on this 'ere wagon," and a wag at the back, with the instinctive and brilliant faculty for repartee which characterizes mobs, rapped out speedily, "Yer'd look better i' the shafts."

Mr. Chairman, it is not an easy thing on an occasion such as this to say impressively and appropriately all one would wish to say, and all one feels. It is not an unusual thing for travelers in our days, who have had my own extended experience with your country; it now runs for four days; to attempt with an opportunity such as I now have, to assess for his audience in some measure the growth and play, and the meaning and direction of those complex forces which go to the making of the social organism. Well, I have decided not to do it. That is not my particular mood to night, but what do dominate me are the primitive human instincts of pleasure and of gratitude—pleasure that I am privileged, at middle life, to visit this great Western Nation, toward the visiting of which I have long had an unfulfilled ambition—gratitude that you yourselves have so kindly and generously afforded me so agreeable an occasion for the doing of it. I want, therefore, with all my heart, with all the earnestness of which I am capable, to voice to you the sense of my personal obligation in that regard. But while the pleasure of personal presence is mine, Mr. Chairman, I must not forget that the honor belongs to the society of which, for the time being, I am the official head. On its behalf I desire to offer you very earnestly and very sincerely first of all our congratulations on the occasion which has brought you together and our thanks for the opportunity you have given us for rejoicing with you on the fact that as an association of accountants you have arrived at man's estate. That has been embodied formally and much more clearly than I can present it in a resolution which was passed by my council on September 24, at the meeting of our conference at Cardiff last month. The resolution then passed and ordered to be engrossed was as follows:

"THE SOCIETY OF

INCORPORATED ACCOUNTANTS AND AUDITORS.

(A. D. 1885).

"At a Conference of the Society held at Cardiff, South Wales, on September 24th, 15th and 26th, 1908,

"RESOLVED:—

"THAT the Members of the Society of Incorporated Accountants and Auditors, desire to express to their Brethren of THE AMERICAN ASSOCIATION OF PUBLIC ACCOUNTANTS their sincere congratulations upon the forthcoming 21st Annual Meeting of the Association to be held at Atlantic City, New Jersey, on October 20th, 21st and 22d, 1908, and to extend to the Association their cordial good wishes for its future prosperity and usefulness."

"ALSO RESOLVED:—

"THAT the Council of the Society be requested to have the foregoing Resolution suitably inscribed, signed and sealed in the usual manner and presented to the Association by the President of the Society in person."

"Given under the Common Seal of the Society, at London, England, this 2d day of October, 1908, in the presence of

(Signed) Harry L. Price, President.
(Signed) Arthur E. Green, V.-Prest.
(Signed) James Martin, Secretary."

This is given under our common seal and I hand it to you, sir, as the representative of the American Association, with sincere pleasure.

But I have something further. That is indicative of the strong goodwill of our society. We have as you know, sir, throughout the British Empire, numerous branch societies, and one of them, our Irish branch, with the exuberance and kindliness which usually characterizes the Celt has requested that I will on its separate behalf, present to this assembly an address which, in handing to you, I will not trouble you now by reading, but which you will find inscribed in very beautiful form.

"A THOUSAND GREETINGS ACROSS THE SEA.

TO THE AMERICAN ASSOCIATION

OF PUBLIC ACCOUNTANTS.

"The Committee of the Irish Branch of The Society of Incorporated Accountants and Auditors, on behalf of its Members, send hereby to the American Association of Public Accountants their most cordial greetings on the occasion of the 21st Anniversary of the Incorporation of the Association under the laws of the State of New York, and their heartiest good wishes for the success of the Coming-of-Age Conference about to be held at Atlantic City, New Jersey.

THE COMMITTEE gratefully acknowledge the invitation extended to them to be represented at the interesting proceedings of which Atlantic City will be the scene, and they are confident that the result of the deliberations there will be to give a further impetus to the uplifting of the status of the Profession, towards which the efforts of American Practitioners have so powerfully contributed.

"THE COMMITTEE congratulate their American brethren on the success of these efforts, which have borne fruit not only in the shape of enactments by the legislatures of various States regulating and protecting the Profession but furthermore in obtaining University recognition of the qualifications necessary for the adequate discharge of the important duties entrusted to Public Accountants and Auditors, testified by the institution of professional degrees amongst the holders of which they are pleased to learn are Irishmen and descendants of Irishmen, who have established

themselves in the practice of Public Accountancy under the folds of the Stars and Stripes of the Great Republic of the West.

"With renewed good wishes and felicitations,

Edwd. Kevans. President. W. J. Stapleton, Vice-President.

Members of Committee.

H. R. Brandon, Robt. Stephens,
Jas. A. Kinnear, W. T. Graham.

A. H. Walkey, Honorary Secretary

SIGNED at Dublin, Ireland, 15th September, 1908."

Speaking generally, Mr. Chairman, I desire to associate myself with my friend, Mr. Plender, in rejoicing with you in the good work which you are doing in America toward the consolidation of our common profession. That work we hope and believe is conceived in no selfish or partisan spirit. We know, if it is work ofthe kind which is being done over seas, that it is maintained only by strict self-denial and by the earnest and relentless effort of your members. Work of this kind to succeed must always aim at perfection rather than protection. If your Association were merely designed to set up for yourselves barriers, whether state or national; if your Association in a professional brotherhood were intended only to insure that the individual members should have the right each to cultivate for himself some particular professional patch; then I should have no message for you here to-night. It is because I think that is not so—because I think and believe that you are banded together, steadily to march forward to the goal of insuring that the diplomas which you issue shall have behind them, to the public whom we are pleased to serve, the meaning of integrity and character and competence, that I am able to say that in your work we are with you, horse, foot and artillery.

I understand, sir, that already some seventeen state societies have received the statutory recognition which we seek. In this respect you already stand within the palace of the King, while we still linger without the gate, but I have little hesitation in thinking that sooner or later what you have done *we* will do. Meanwhile, we wish you all the success which is imaginable in the work in which you are engaged. It is this reason, sir, which has led us (and I hope in this regard that I may speak for my friends of the English and Scottish institutes as well as for the whole body of Incorporated Accountants), to cross three thousand miles of ocean, that we may bring to you messages of greeting and goodwill from your professional brethren over seas.

THE CHAIRMAN: We are very pleased to receive these resolutions from Mr. Price's society, gotten up in such very beautiful order. They will be handed to the Secretary for preservation among the archives of the Association.

The order in which we are calling upon the delegates to-night is very informal indeed. It is more geographical perhaps than otherwise. We have with us a representative of another English society, Mr. Clare Smith, president of The Bristol Society of Chartered Accountants.

MR. CLARE SMITH (President of The Bristol Society of Chartered Accountants).

MR. PRESIDENT, CHAIRMAN, LADIES AND GENTLEMEN:

I have brought with me an address from The Bristol Society of Chartered Accountants, as follows:

"BRISTOL SOCIETY OF CHARTERED ACCOUNTANTS.

44, CORN STREET, BRISTOL, 5th October, 1908.

"To the Council of the American Association of Public Accountants.

"*Gentlemen:* We are pleased to inform you that the President of our Society, Mr. Clare Smith, F. C. A., has found it possible to accept your kind invitation to attend the forthcoming Congress of American Public Accountants at Atlantic City.

"We feel sure that the occasion will be a memorable one, and as representing the Profession in the Ancient City of Bristol, which claims to have been the first place in England where Accountancy was publicly practised, we send our Greetings to the Congress and wish it every success.

"We beg to thank you for your invitation and offers of hospitality, and are

Yours faithfully,
The Bristol Society of Chartered Accountants.
(Signed) W. VAUGHAN JENKIN,
Hon. Secretary."

I should perhaps point out that I do not represent any society which grants diplomas and conducts examinations, for we are in reality only a branch of the Institute of Chartered Accountants of England and Wales, which is already represented here by my friend Mr. William Plender. When, however, we in Bristol had your cordial invitation to send a representative to this great gathering it was felt that, as Bristol claims to be the first city in England where accountancy was practised as a profession, it should, if possible, be represented at your congress, and I was therefore exceedingly glad to find, for my own pleasure, as well as for the reason I have indicated, that I was able to come over to Atlantic City. It might interest some of you to know that as far back as the year 1730 there was a man who publicly practised the profession of accountancy in Bristol, and I believe that this is the earliest mention of such a fact in English records. What is perhaps still more interesting is the fact that we have a firm of chartered accountants in Bristol who have continuously practised their profession ever since the year 1790, and when I mention also that Mr. Samuel Lowell Price and Mr. Edwin Waterhouse, two leaders of our profession, whose names are well known in the United States, both came from Bristol, I think we claim some special interest in being represented on this occasion.

If Mr. Richard Brown will pardon me, I should like to make one short quotation from the book he published some years ago, in which he points out that in the year 1796 a man of Bristol of the name of Edward Thomas Jones wrote a book under the following pretentious title:

"Jones' English System of Book-keeping by Single or Double Entry by "which it is impossible for an error of the most trifling manner to be "passed un-noticed. Calculated effectually to prevent the evils attendant "on the methods so long established, and adapted to every species of "Trade. Secured to the Inventor by the King's Royal Letters Patent, "Bristol, 1796."

In advertising his book Mr. Jones stated that double entry was capable of being converted into a cloak for the vilest statements that designing ingenuity could fabricate, but he claimed that it was impossible to produce a false statement by bookkeeping on his plan without being immediately detected, and that there would no longer be any possibility of passing undetected an error of the most trifling amount. I am told that this book had a considerable sale, but whether it had the effect on the bookkeeping of the last 100 years, which the author claimed for it, I must leave you to judge.

Mr. H. L. Price of Manchester, alluded to the fact that you have certain state recognition which we in England have not got. State recognition of our profession is not, however, altogether new, for we find that in the sixteenth century the Italian State provided that no one could practice as an accountant unless he was a member of a certain intsitution, and I believe I am right in saying that the first association of accountants was organized in Venice in the year 1581, shortly before Shakespeare wrote his Merchant of Venice. We, however, in England seem up to the present time to have failed to secure the Government status which was granted the Italians of those early days, and which you appear to have already obtained in some parts of the United States.

There is an old Dutch saying that when an English accountant traveled abroad "he learned to conduct bookkeeping exquisitely," and we hope by coming to a new country we may be able to learn more than we could by staying at home. In the old days before accountancy had reached its present high standard it used to be said, "That an accountant was a man who was seldom able to render a good account of himself," but I trust that this slander is not one likely to be repeated on the present occasion.

I have to thank you very heartily for myself and on behalf of the society I represent for the great hospitality you have extended, and the kindnesses with which we have been surrounded, and though I have been here but a short time, I have made a great many friends, who I hope may last me all my life.

THE CHAIRMAN: I am sure the Association will be glad to preserve these resolutions from Mr. Smith's society.

We have the honor of having with us a very distinguished gentleman. He is known wherever accountancy is known. He is here representing the Society of Accountants in Edinburgh and also the Society of Accountants in Aberdeen. I have great pleasure in calling on Mr. Richard Brown, the secretary of the Edinburgh society.

MR. RICHARD BROWN (Secretary, The Society of Accountants in Edinburgh):

MR. CHAIRMAN, LADIES AND GENTLEMEN:

The president and council of The Society of Accountants in Edinburgh appointed by minute, Mr. James Campbell Dewar, Mr. William Greenhill, members of the council, and myself, the secretary of the society, to attend this conference; having received with the very greatest gratification the invitation which was extended to us. We have been instructed to hand to you a resolution which was adopted at a special general meeting of the society held on the seventeenth of July last, and which is in these terms:

"The Society of Accountants in Edinburgh, Incorporated by royal charter in 1854, offer the American Association of Public Accountants most hearty congratulations on the Twenty-first Anniversary of the formation of the Association, and assure them of the sympathetic interest with which the Society regards their labors for the elevation of the profession in the United States, and the pleasure with which they have noted the remarkable success which has attended these labors in recent years." Signed by the president, Mr. I. A. Robertson Durham, and sealed with the seal of the society.

I have also, individually, been asked to convey to you a resolution which was adopted by The Society of Accountants in Aberdeen and which is to the following effect:

SOCIETY OF ACCOUNTANTS IN ABERDEEN.

"Incorporated by Royal Charter, 1867.

"EXCERPT from Minute of Special Meeting of the Society held at the Office of the Society, 6 Golden Square, Aberdeen, on 27th July, 1908.

"In connection with the Celebration of the Twenty-first Anniversary of the American Association of Public Accountants, the President stated that the Council had received an invitation to send representatives to the celebrations to be held at Atlantic City, in October next. The Meeting unanimously resolved to tender their heartiest congratulations to the American Association of Public Accountants on the attainment of their twenty-first anniversary, and resolved to ask Mr. Richard Brown, C. A., Edinburgh, who, it is understood, is going to Atlantic City to represent the Edinburgh Society, to convey this message to the Congress, and to represent this Society at the celebrations.

(Signed) GEO. MCBAIN, President.
(Signed) WALTER A. REID, Secretary."

I now deliver these documents which have been in my custody since I left home, and which I am very glad to have safely delivered.

My friends, Mr. Moore of Glasgow, Mr. Dewar, Mr. Greenhill and myself, represent Scotland here. Scotland, as you all know is a small country. Compared with the vast territory covered by the various societies composing the American Association of Public Accountants, Scotland is a mere speck on the map; but I think I do not claim too much for

Scotland when I say that she has borne some part in the movements of progress and in the movements for liberty, and in particular Scotland has done a great deal for the development and organization of the profession of accounting. It was with peculiar pleasure that we of the Edinburgh society received the invitation of the American Association because we felt that it gave us the opportunity of meeting with the representatives of those numerous associations throughout the English speaking world which followed the example set by Edinburgh in the year 1854, when we organized and incorporated ourselves as a body of professional accountants. It seemed to us that this conference was something of the nature of a family reunion, like those good, old-fashioned Christmas parties which we hold at home and which we believe you also hold here and we regarded it as a sacred duty to attend, particularly on the part of the oldest member of the family. It was a special pleasure to me personally. In connection with the earlier history of the profession, I entered into correspondence with a great many gentlemen in many parts of the world, including many of the gentlemen now represented in this Association, and it has been a great pleasure to meet, embodied in the flesh, many whom I have long known, through the medium of correspondence, as congenial spirits.

Now, I do not propose, as there are many gentlemen to speak after me, to take up your time. I shall only say that in Scotland we have always felt a very great interest in the progress of the profession in the United States. Many of our fellow-countrymen have, I believe, been concerned in the organization of the profession here. It has been a pleasure to us to become acquainted with them. We have admired the enlightened spirit and the keen interest, with which you have dealt with the many questions which affect your profession in this country. We learn with great interest that you are contemplating or considering the propriety of establishing a uniform board or a uniform system of examinations, and uniform rules for admission, a principle and a practice which has been in operation in Scotland among the three Scottish chartered societies, who indeed are the only purely Scottish societies, for the last sixteen years and which has been remarkable for its efficiency and success. We think you will find this most advantageous if you are able to get it carried through.

I have been very much interested indeed in hearing Mr. Clare Smith's remarks, and his quotation from the book which I wrote some years ago. I was aware as he pointed out that Bristol had accountants at a very early date, but perhaps Mr. Smith is not aware that Mr. Jones who published a book in 1796 was not "the only Jones" in Bristol. There was a Mr. Jones, an accountant who dated from an earlier period, forty or fifty years earlier, who set certain questions on what was then company procedure, which would somewhat puzzle the applicants for admission to societies at the present day. However, we in Scotland, go back a little further than the time of Mr. Jones. The Bank of Scotland was established within a year or two of the Bank of England, at the end of the seventeenth century, and it was greatly promoted and the whole amount ing work in connection with it was done by an Edinburgh accountant,

George Watson, of whom there is a short biography in existence, and he established one of the most valuable educational institutions we have in Edinburgh to-day. Subsequently to that there were many prominent accountants in Edinburgh, and amongst others, the accounting profession was regarded with respect by our own great countryman, Sir Walter Scott. You may discover in Lockhart's Life of Scott, a letter written by Sir Walter Scott in which he represents the profession as a highly respectable, attractive and lucrative branch of legal practice, as it has always been regarded in Edinburgh. He describes the qualifications for it as steadiness, caution and assiduity. These are still our watchwords. Our progress has been cautious and steady, and we trust our members have been assiduous. We were incorporated by royal charter in 1854, and we have risen to a membership of nearly 500 in Edinburgh. The total number of Scottish chartered accountants is over 1,100, which is a considerably higher proportion to population, even after deducting those who are non-resident in the country, than there is in any other country; so you see in Scotland we think our profession is well established and highly esteemed. That is simply the consequence of the long time which has elapsed and we doubt not that in the United States before long the professional accountant will be equally highly esteemed and respected.

I wish only, in conclusion, to give expression to our sense of the unexampled kindness and hospitality with which we have been received here. We have felt at home from the time we set foot in this building, and we shall be able to convey to our friends in Scotland what I know will be a source of the greatest gratification to them, some account, although it must be an inadequate one, of your singular kindness, and the great enjoyment we have derived from our visit to the United States.

THE CHAIRMAN: On behalf of the American Association, I am glad to receive these cordial resolutions from the Scottish societies.

We have with us a representative of accountancy from Glasgow, that great commercial city of Scotland, Mr. Alexander Moore, Jr., of The Society of Accountants and Actuaries in Glasgow.

MR. ALEXANDER MOORE, JR.:

MR. CHAIRMAN, LADIES AND GENTLEMEN:

As you are aware, I have been asked to come here to represent the Institute of Accountants and Actuaries in Glasgow, and to present to you this resolution passed at Glasgow on the 31st of July, 1908, by the Institute of Accountants and Actuaries, incorporated by royal charter in 1855, in general meeting assembled. "It was moved and seconded, and unanimously agreed that in view of the 21st anniversary of the founding of the American Association of Public Accountants, to be celebrated in Atlantic City in October next, the Institute sends kindly greetings, and tenders hearty congratulations and best wishes." Signed by our president Mr. Jno. Mann and our secretary Mr. Alexander Sloan.

That the honor and pleasure of attending this conference has been conferred upon me by my society is due principally to the fact that our president, Mr. John Mann, was physically unable to come over to America

himself and you will quite appreciate that when I mention the fact that Mr. John Mann, the president for this year, is one of our original members and has been a member of the society for 53 years.

I do not think it necessary that I should take up much of your time as there are many other speakers to follow and my friend and colleague, Mr. Brown, has already put before you the position of the Scottish accountants. Although the Glasgow society is a society distinct from that of Edinburgh, to all intents and purposes the three charter societies of Edinburgh, Glasgow and Aberdeen are practically one. We conduct the examinations, and admit the members by a joint board, and it is only in matters of internal economy and in dealing with our own local affairs that the three societies are separate. Therefore what Mr. Brown has said includes the whole of these societies.

I can only add for myself, as an individual, to what has been stated by our other friends from the old country, that we will find great difficulty in coming up to the wonderful hospitality which we have received on our visit to this country. I am afraid that the members of the American Association had hardly contemplated what the effect may be, because should such an invitation again come over to Scotland I think the great difficulty we will have will be in restraining our members from coming here, and however much you may appreciate the displaying of hospitality, I fear that in this instance you would find it rather more than you could face. There is only one little point in regard to that hospitality which I would like to touch upon. I think there is nothing which touched the members from the old country more than, at the luncheon which was given to us yesterday to hear, one of the first things, our good, old anthem of "God Save the King" and to have that followed up by the introduction of a gentleman wearing the Scottish dress, and playing the Scottish national instrument, and to have that supplemented by the singing and playing of the national song of our sister country, Canada. Mr. Chairman, I thank you.

THE CHAIRMAN: I am sure we would all be glad to face any number of these pleasant Scotchmen, and I am only sorry there are no more of them to call upon officially to-night.

We have a number of the representatives from the Canadian societies, our good friends across the line—a line that is becoming more imaginary every day. Many of these gentlemen have been with us before and we have begun to reckon them as very old friends indeed. I take great pleasure in calling upon Mr. George Hyde, president of the Association of Accountants in Montreal.

MR. GEO. HYDE:

MR. CHAIRMAN, LADIES AND GENTLEMEN:

I am almost sorry, I might say, that it is my misfortune to be here to-night representing the Montreal association because I do not feel able to express myself on behalf of our Association in such a manner as I should wish to do. It was my duty, however, and I would add privilege, to respond to your cordial invitation.

I know that in coming here I bring the most sincere good wishes from

our Association. Some of our members have been in the United States before at somewhat similar gatherings and have come back with such glowing accounts of their reception and entertainment that they have been eager to visit you again. This year, when your invitation was received, our organization, though not numerically very strong, thought we ought to accept it in the spirit of the invitation, which accounts for our somewhat large representation.

Our association is a little older than yours—being founded in 1880. It is, however, virtually a local society and for about fifteen years had little vitality, but since that time it began to show signs of life, owing largely to the fact that our people began to realize that there was such a thing as an association of accountants and that in its membership were the men whom they required in connection with the organization and development of the numerous commercial and other enterprises which were coming into existence, the result of this awakening being indicated by a steady increase in our numbers. The growth for the past year, representing an addition of twenty-five per cent. to our membership, will show the strides accountancy is making even in our limited territory.

I come with the greetings of our society, wishing every success to the American Association. Fortunately on the 13th of this month we had our annual meeting and it was felt that it would be an opportune occasion to place some minute of record in our books in regard to the forthcoming anniversary of your Association, and I have brought with me an engrossed extract of this minute which I have now much pleasure in handing to you.

"THE ASSOCIATION OF ACCOUNTANTS IN MONTREAL.

"*Extract from Minutes of the Annual Meeting of the Association held in the City of Montreal on the 13th day of October, 1908.*

"THAT the members of the Association of Accountants in Montreal, in annual meeting assembled, desire to convey to the members of the American Association of Public Accountants, their warmest congratulations upon the occasion of the Twenty-first Anniversary of the formation of the Association. That we recognize the position attained by the members of the American Association as the best testimony to the able manner in which they have worked to maintain a high standard of Accountancy, and we trust that even greater success may in the future attend their efforts to place the profession in the front rank of the liberal professions.

"That a copy of this resolution be presented by the Delegates of this Association who may be in attendance at the Twenty-first Annual meeting of the American Association of Public Accountants.

(Signed) GEO. HYDE, President.
(Signed) ROBERT MILLER, Secretary."

I would say in conclusion, Mr. Chairman, that we shall carry back to the members of our association a very gratifying report of this gathering, and of the almost princely manner in which we have been entertained.

THE CHAIRMAN: I am glad to place on file these cordial resolutions from Mr. Hyde's society. In the absence of Mr. Henry Barber, the recently elected president of the Dominion Association of Chartered Accountants, I am going to call on Mr. W. H. Cross, to speak for that society.

MR. CROSS:

MR. CHAIRMAN, LADIES AND GENTLEMEN:

As already explained, I am here by a sort of accident, and I am very grateful indeed that the accident should have occurred to enable me to receive the very unbounded hospitality you have shown us since we came here.

You have heard what the representatives of the old institutions have had to say to you. They speak to you from above.

Our institution has received a charter from the Dominion Government. We, instead of being a pattern to you, pay you a still greater compliment. Imitation is the sincerest flattery and we also are striving and the reason for the being of our association is, that we should unite the profession in Canada into one body to have a common standard of efficiency, common modes of practice and system of ethics, and all the rest of it, and we are working for that now, sir. We have not yet accomplished the work we were incorporated to do.

I have often been told of the very lavish kindness you have bestowed upon those who become your guests. This is my first appearance among you, and I can say that not one-half has been told me of the exceeding kindness which you visit upon those who come to you. We in Canada watch your progress with very great pleasure. At 21 years of age to be so big, strong and mature looking is a wonderful achievement. It is not a generation. When you started the profession of accountancy in the United States it was in its rudimentary, unsettled condition, and you have accomplished a great deal already. I recall to mind the saying of Augustus. I think he reigned some 50 years. He said he found Rome mud and he left it marble. Well, you have done something similar with accountancy in 21 years, which is not quite half the time Augustus had to perform his miracle in.

I will not detain you longer than to say what great pleasure I have had in being with you, and the extreme kindness I have received from yourself, sir, and from all the officers and members of the Association I have had the pleasure of coming in contact with, and we wish you God-speed. Go on and prosper.

THE CHAIRMAN: We have here several representatives of one of the most vigorous societies in Canada—one which has made education quite a feature of its work, the Institute of Chartered Accountants of Ontario. Their president is with us, Mr. C. S. Scott of Hamilton, Ontario. I have great pleasure in calling upon Mr. Scott.

MR. SCOTT:

MR CHAIRMAN. LADIES AND GENTLEMEN:

In acknowledging briefly, for my fellow members and myself, the great

kindnesses and pleasures that we of the Institute of Chartered Accountants of Ontario have received at your hands, I may congratulate myself, and you, in the first place, that the duty has been already ably performed by various fellow guests of ours from the British Isles, and from our own country. I congratulate myself, because I could not do it nearly so well; and I congratulate you, for otherwise my gratitude would have compelled me to talk at considerable length, which would not be to your advantage; but the Mother Country, as we call her, has shielded her offspring once more, and you have gained thereby.

As to ourselves, I can only repeat what has already been said as to the great obligations, we, your guests, are under to you for the great kindness we have received at your hands, and which has been renewed during every hour of our stay with you. We have respectfully admired your ladies, and we have enjoyed and profited, I am sure, by your papers and discussions; and, as to your own good selves, knowing perfectly well, from the results of this wonderful convention, the labor and pains which must have been taken beforehand to accomplish such a result, we are prepared to declare absolutely that no better, kinder, or more genial hosts were ever created.

If you will allow me one word as to our own country, we are doing the same work, and striving for the same ends, there, that you are here. We are not very far away from some of you, and our country is also somewhat large. I believe it is as big as, if not a little bigger than, the United States; but that I am not prepared to prove just now. The fact is, that while I have had the pleasure of traveling from the East to the West in the United States and Canada, I have not yet gone to the North Pole. But, at any rate, it is a large country, and what I want to say is that we should be delighted to see any or all of our professional brothers, and especially with their ladies, in Canada at any time, and we will give them a most cordial welcome. We can hardly do, perhaps, what you have done for us here, but the welcome at least will be hearty; and, if you should entertain such an idea, Canada is at present very favorably situated for you. All of our larger towns are, so far, within measurable distance of your own border. They are, in fact, quite close; but at the same time, we are a large and rapidly-growing country, and we like to feel that we are something in the position of the United States some time ago when it also was in its youth; and when, as we all know, the leaps and bounds that your country made to prosperity were the wonder of the modern world. We, as intelligent and patriotic Canadians, fully believe that our country is now in process of doing the same; and, if that is so, I would like to point out that while now our own towns are near to you, there might easily be, in the future, a Canadian New York or Chicago, that you would have to visit, a thousand miles away from your border—therefore, come and see us soon, before we get that distance from you. I give you our heartiest thanks.

THE CHAIRMAN: We have one good friend here who has been with us a number of times before. You all know him. I do not need to intro-

duce Mr. John Hyde of Montreal, representing the Society of Incorporated Accountants and Auditors, Canada Branch.

MR. HYDE:

MR. CHAIRMAN AND LADIES AND GENTLEMEN:

When I came in here this evening I had a magnificient oration for you, but unfortunately there have been so many who have spoken before me that point after point has been taken away, and there is very little left for me to say, but, sir, I came here with great expectations, knowing in past the magnificent way in which the American Association always entertained their guests, and I may say that my expectations have been far more than realized, and while I stand here to-day as representing the Canadian Branch of the Society of Incorporated Accountants and Auditors, I also stand here as a member of the Dominion Association of Chartered Accountants, and as a member of the Association of Accountants in Montreal.

I had the honor and the pleasure of meeting with most of the representatives of the different American associations at the Congress of Accountants in St. Louis. I had a very pleasant time there. Your entertainment there was magnificent. I also had the pleasure of being with you in the City of New York, when you formed this Association on a broader plan. At that time I thought you had got to the height of ability in entertainment, but, sir, all my expectations, from the treatment of the past, have been more than realized at the present time. Now I look forward—not that I claim to be a prophet nor the son of a prophet—but I look forward to the day that the Congress held in St. Louis at the time of the Fair, will be looked upon as being the forerunner of a very much larger conference, at which will be launched an International society of accountants. Now, ladies and gentlemen, we in Canada, our friends in England, and in Scotland, and you in the United States, have got but one aim before us, that is, to do our work as accountants in such a way that it will commend itself to the investing public. We know ourselves that our profession is as noble a profession as there is in the world, but at the present time we do not receive that recognition that we are entitled to receive. However, your society is to-day known not only in the United States, but it is also known in Canada, in England, Ireland and Scotland, and also on the continent, and favorably known, too. Now, sir, when we can show to the world at large that we are alive as accountants, and that we are doing our work properly, we will then receive the recognition to which we are entitled. We see here to-night accountants from the United States, England and Canada—what a union is represented there. If we take the territory covered, and the large number of people involved, we have the Anglo-Saxon race thoroughly represented. Take these flags which surround us as emblematical and we have before us the union of all the English speaking countries in the world, and then, with a united body of public accountants we will arrive at the position which, as accountants, we are entitled to occupy.

Now, sir, again allow me to thank you personally for the many kindnesses which you have shown me at this time, and I think I can say to those friends of ours who are here for the first time that they have not yet seen the end of your kindness to us, and if this meeting had been called for Friday night instead of on this evening, I am afraid that we would find ourselves so overpowered with your numerous kindnesses that words would fail to express our gratitude.

THE CHAIRMAN: We have one of the Canadian societies represented here for the first time at the meetings of the American Association, the Institute of Chartered Accountants of Nova Scotia. Mr. W. E. Leverman of Halifax, is here as their delegate, and we will be very glad to hear from him.

MR. LEVERMAN (Halifax):

MR. CHAIRMAN, LADIES AND GENTLEMEN:

I was in hopes that Mr. Ross would kindly overlook the fact that our institution is so very, very young. We were only incorporated in 1900, and it seems to me that it was a little presumptive on our part to attempt to congratulate a society which to-day has attained its majority. I think after the many excellent speeches we have had to-night that it would be useless for me to continue other than to congratulate the society upon its rapid progress, and to thank you very cordially for your kind invitation, and to hope that your progress in the future will be just as rapid as it has been in the past.

THE CHAIRMAN: Those who attended the St. Paul meeting last year will remember the president of the Manitoba Association, Mr. Sidney Ronald. We had hoped to have Mr. Ronald with us, but he has been detained. There is an associate of Mr. Ronald with us—Mr. Hubert Reade. I call upon Mr. Reade for a few words on behalf of the Manitoba Association.

MR. READE (Winnipeg):

MR. CHAIRMAN, LADIES AND GENTLEMEN:

There is only one reason I can conceive of why I have been chosen to represent my association at this meeting. I come from a country of young men, the last "Great West," and I presume it is only fitting that a young man's country should be represented by a young man. However, I feel that we have something in common with our brethren from the other side of the ocean. They say they have covered 3,000 miles of water, and though I come from only about the centre of Canada, I believe that I have covered from 2,000 to 2,500 miles of land.

If you ever visit Manitoba—and this is a good time to see our golden fields—if you ever visit Manitoba, I assure you that you will not be considered as strangers.

There have been so many people who have spoken before me that I will close, but I wish to extend to the American Association of Public Accountants the greetings and most hearty congratulations of Manitoba. The reports Mr. Ronald gave up in Winnipeg of your conference at St.

Paul made me nervous of presuming to rub shoulders with you to-night. He referred to you all as princes, but I can not find any. I find nothing but kings and queens; not merely queen-consorts.

THE CHAIRMAN: Any one hearing Mr. Reade speak would have no difficulty in identifying him as coming from the Great West. I am sure we appreciate very much his cordial remarks, particularly those regarding the queens.

I am going to call upon one of our most active members to respond on behalf of the American Association to these greetings which have come to us from the societies in Great Britain and Canada. He is a gentleman who has been much identified with this annual meeting. He has taken a very hearty interest in our plans and all our work, and he has been in close touch for several months past with the delegates from our sister societies. He is a member of more state societies than any one here, and, it is appropriate that he should, on this occasion, speak for the American Association. I have great pleasure in calling upon Mr. George Wilkinson of the United States.

MR. WILKINSON:

MR. CHAIRMAN, LADIES AND GENTLEMEN:

We have listened with great interest and attention to the pleasant remarks made by the several gentlemen who have addressed us here this evening.

We have particularly in mind that these gentlemen, and the fair ladies who have accompanied them, have traveled many thousands of miles to be with us on this our Twenty-first Anniversary. We take pride in the fact that they have come so far and have manifested, in such an agreeable manner, the kindly interest they feel in our profession.

I do not know of anything that is more helpful to a young man or a boy, just starting out in life, than good sound advice and encouragement from his older brothers. It seems to me that to-night, we, who are the younger brothers, have been particularly rich in receiving well-meant and well-placed advice from our brothers from across the seas. We have heard from our older brothers in Scotland and in England, and also from our brothers—not much older than ourselves—in the Dominion of Canada. Best of all we have been distinctly called *"Brethren,"* and have felt the warm clasp of fellowship.

I feel sure we shall all benefit very much indeed from the advice they have given us; by the greetings they have brought with them from their own countries, and by the encouragement they have given us, in the work we have before us.

We are all very much gratified to have heard and seen the various resolutions which have been presented to The American Association of Public Accountants, and I am sure we shall all take great pleasure in looking over them carefully, at an opportunity to be afforded to us very soon for so doing. We shall bear in mind that the meetings at which these resolutions were passed were for the most part held in the "dog days."

Although Mr. William Plender, representing The Institute of Chartered Accountants, brought with him no formal resolutions, his message of cordial and friendly greeting from the Institute was most welcome.

Mr. Harry Lloyd Price, in his very interesting and entertaining address, described how the Accountants in England are still knocking on the door of the House of Parliament; asking, as they have repeatedly asked before, for legislation providing "compulsory registration." Mr. Price, continuing, congratulated us upon the fact that, in seventeen states, we are, as he puts it—"in the palace of the kings."

I am sure if Mr. Price were better acquainted with the work of some of our Boards of Examiners, he would hardly feel that so flattering a congratulation was well timed. We are in the midst of a great deal of trouble in many of our states, while in less than half a dozen states, where legislation has just been secured, all our troubles are before us.

While this convention has been going on, a meeting has been held, under this same roof, which, it seems to me, will have a most important bearing upon the future of our profession. This meeting was kindly referred to by one of our guests, when he complimented us for having started a movement for something like uniform procedure in formulating rules for the conduct of C. P. A. examinations, and for the issuance of Certificates.

Another one of the comforting words brought to us from across the ocean, is that we must strive for "*Perfection*" and not for "*Protection.*" That gives the right aim for all of us. It should be our ambition to make our work better and better every year and not to try to secure anything like legislative protection from those who do not hold C. P. A. Certificates.

We have been rich in greetings from Scotland and we have enjoyed hearing from Mr. Richard Brown of Edinburgh. It was Mr. Alexander Moore of Glasgow, I think, who told us that should we again essay to extend an invitation to the British Societies of Accountants—and he possibly had in his mind the Twenty-fifth Anniversary of The American Association of Public Accountants, not far distant now—that we should have so many acceptances that we would not be able to house our guests.

I think that recent development in hotel construction, not only in this sea-side resort, but in many of our largest cities, has shown that we shall be able to meet the enlarged "British Invasion," when it comes. I feel sure that Atlantic City will have a hotel large enough to take care of the many guests whom we hope to see with us on the next great occasion.

Glad, indeed, are we to see with us so many of our Brethren from across the border; from the Provinces of Quebec, Ontario, Nova Scotia and Manitoba and from the Dominion as a whole.

On behalf of the Committee of Arrangements and The Pennsylvania Institute of Certified Public Accountants; on behalf of the President and Board of Trustees of the American Association of Public Accountants; and on behalf of the entire profession, I wish to express our very sincere

thanks to the gentlemen who have come out here, at such great expense to themselves, in time and money, to attend our celebration, and to the several societies whom they represent.

THE CHAIRMAN: It is now my duty to conclude this very pleasant evening's meeting by declaring an adjournment.

Communications had been received form the following societies who were unable to be represented by delegates, viz.:

"THE NEW ZEALAND ACCOUNTANTS AND AUDITORS ASSOCIATION.

"Auckland, New Zealand, 18th September, 1908.

"Though unable to avail ourselves of the advantages of personal representation, we wish to convey to you none the less cheerfully, our best wishes for a happy, successful and profitable gathering. We recognize that such functions as you hold from time to time must, obviously, be important factors in developing and improving the professional status and the social relations of members of the fraternity, both of them highly desirable attainments.

"The hope is expressed that at some later period we may be fortunate enough to be able to send a special representative in recognition of the honour you have done us on more than one similar occasion."

"For the President and Council,
Yours faithfully,
(Signed) HENRY SHAW, President,
(Signed) J. HENRY MACHIE, Registrar."

"INSTITUTE OF ACCOUNTANTS AND AUDITORS OF WESTERN AUSTRALIA.

Forest Chambers,
Perth, Western Australia, 14th May, 1908.

"It is needless for me to say how much I appreciated the honour you have done my brother councillors and myself in extending to us your kind hospitality. We recognize the benefits to the profession to be derived from gatherings such as you are about to hold and it is with great regret that I have to inform you that we shall be unable to send a representative. As you are aware it is a very long way from here to Atlantic City and the time that would be occupied in the journey prohibits our members from accepting. You may rest assured that although absent in body, we shall be with you in spirit.

Yours very truly,
(Signed) FRANK B. CARTER, President."

"THE NEW ZEALAND ACCOUNTANTS AND AUDITORS ASSOCIATION.

"Dunedin, New Zealand, 3rd June, 1908.

"Permit me to offer your projected Congress my best wishes for the

success it deserves in every sense of the word—a gathering of this kind must elevate the tone and help to raise the Status of Accountancy all ovet the world and ultimately reflect credit upon those members of the profession from whom the idea of holding it emanates."

"Yours very faithfully,

(Signed) T. SHERLOCK GRAHAM, Ex-President."

THE CENTRAL ASSOCIATION OF ACCOUNTANTS.

Incorporated (London).

"*Resolved unanimously:*—

"That the cordial good wishes of this Association be tendered to the American Association of Public Accountants, on the occasion of their 21st Annual Convention, to be held at Atlantic City, on the 20-22 October, 1908, and they trust that every success will attend the Convention, and that the useful work which is being carried on by the American Association of Public Accountants for the benefit of the Accountancy Profession in America, and throughout the world, may meet with continued and increased prosperity."

Reports of Committees.

Report of the By-Law Committee.

OFFICE OF CHAIRMAN OF THE BY-LAWS COMMITTEE,

54 William Street.

NEW YORK, August 15, 1908.

TO THE BOARD OF TRUSTEES OF THE AMERICAN ASSOCIATION OF PUBLIC ACCOUNTANTS:

The only questions which have been submitted to the Committee on By-Laws for decision are the following relating to the intrepretation of Article 8, Section 1 of the Constitution, and Section 15, and Section 9-B, of Article 1 of the By-Laws, upon which we beg to express the following opinion:

Article 8, Section 1 of the Constitution states that no alteration of the By-Laws should be acted upon unless written notice thereof has been given to the Secretary at least ninety days prior to the meeting at which the same is to be submitted for action, and that a copy of any proposal for an amendment must be sent to every member at least thirty days before the

date of the meeting. In our opinion, the provision as to ninety days' notice applies only to individual members of the Association, and is necessary in order that the Secretary may then proceed to submit the proposed amendment to the By-Laws Committee, obtain their report thereon, and give the necessary notice to the members thirty days before the annual meeting. It is not necessary that the By-Laws Committee should render their report to the Secretary ninety days prior to the meeting.

It has been suggested to us that the provisions of Section 15, of Article 1 of the By-Laws are inconsistent with those of Section 9-B of the same Article. Upon careful consideration of these provisions we are of the opinion that there is no inconsistency between them. If the Board of Trustees is to be able to carry on the business of the Association properly without having to call a special meeting of the Association involving unnecessary expense, it must have some discretion, and the second part of Section 9-B appears merely to provide for the excercise of such discretion. The procedure called for by these two sections would seem to be as follows:

At each meeting of the Association the Board of Trustees is to present a budget which has first been submitted to them by the Committee on Review of Appropriations Budget. This determines the expenditures for the ensuing year so far as they can be determined at that time, and the second part of Section 9-B merely provides that no other sums than such as are contained in this budget may be expended unless such proposed expenditure or indebtedness has received the approval of at least three-fourths of all the members of the Board of Trustees.

Respectfully submitted,

(Signed) A. Lowes Dickinson, Chairman.

Thos. L. Berry,

I am in full accord with the interpretation of Section 1, Article 8, and the interpretation of the purpose of Section 9-B of Article 1, seems to me to be logical.

(Signed) Duncan Mac Innes.

N. Y., September 15, 1908.

Report of Committee on Meetings, Lectures, Libraries and Bulletins.

To the Board of Trustees of The American Association of Public Accountants:

On behalf of the above named Committee, I have the honor to report that no special meetings have been held during the year, under the auspices of the American Association of Public Accountants, as provided by Section 12, Article 1, of the By-Laws, which reads as follows: "Sec. 12. This Committee shall consider and act upon such matters as may be referred to it by the Executive Committee or Board of Trustees."

Respectfully submitted,

(Signed) Franklin Allen.

Chairman.

Report of the Committee on Legislation.

TO THE PRESIDENT AND TRUSTEES OF THE AMERICAN ASSOCIATION OF PUBLIC ACCOUNTANTS:

This Committee has held no meeting during the year as there has not been at any time any occasion for the Committee to take any initative regarding the purpose for which it exists. The Committee, however, has been in correspondence through its Chairman on numerous occasions with several of the constituent Societies, notably, Washington, Ohio, Georgia, and Louisiana, and has highly appreciated the fact that these societies have felt that in an advisory capacity at least, the Association can be of benefit to them.

The Committee believes that the Association is to be congratulated over the encouraging progress which the last year has witnessed in the enactment of C. P. A. legislation in several States, and the efforts which have been put forth by other States to secure such legislation which although not yet successful bid fair to become so in the near future.

Three States have been added to the number of those which create a Certified Public Accountant, namely, Georgia, Ohio, and Louisiana. A review of the Acts passed by these several States is of interest.

They are all three alike in providing for the establishing of a Board of Examiners who shall conduct the examinations of applicants for the certificate, the Governor in each instance to appoint the Board. In Louisiana and Ohio the Board is to consist of persons "skilled in the practice of accounting and actively engaged therein in the State," while in Georgia one member of the Board shall be a "practicing attorney in good standing." The Georgia Act requires that the "examiners shall be public accountants who have been in practice for at least five years."

All three of the Acts vary from the Model C. P. A. Act in defining the general educational qualifications expressed in the latter, Ohio being somewhat more explicit than the Model Act in its requirement that the applicant shall be "a graduate of a high school, or one who has received an equivalent education," while Louisiana left the whole determination of the educational qualifications to the Board of Examiners under the general clause, empowering them to require of the applicant not only a knowledge of the four technical subjects, but "of such other branches of knowledge as the Board may deem necessary to maintain the highest standard of proficiency in the profession of Public Accounting." In Georgia, unfortunately, no general educational qualifications whatsoever seem to be required.

All three of the acts fail to prescribe in any way, any requirement of previous experience in the applicant, in that respect departing altogether from the Model C. P. A. Act, and through such omission making it apparently compulsory of the Board of Examiners to issue certificates to any applicant who may pass the examinations without regard to any previous accounting experience.

All three acts provide for the waiver, Georgia permitting the waiver to be extended to any person within or without the State who shall have been practicing for three years immediately preceding the passage of the Act, and who shall apply in writing within three months of such date, Ohio providing for a waiver term of six months for those who have "practiced the profession of public accounting at least three years." Louisiana

requires five years previous active experience "as an accountant or bookkeeper," with a time limit of ninety (90) days after the passage of the Act.

All three Acts provide for the reciprocity clause, extending to holders of certificates in other States the privilege of receiving a certificate from either of these three States, if the Board of Examiners shall so decide, Ohio, however, requiring that "the Board shall be satisfied that their standards and requirements for a certificate are substantially equivalent to those established by this Act."

All three Acts have a penalty clause declaring the wrongful use of the initials C. P. A. to be a misdemeanor subject to a fine or, in the case of Louisiana, to a jail sentence.

Since the passage of the Act in Ohio the Board of Examiners have been endeavoring to obtain a judicial definition of the term "Public Accountant" and it is to be hoped that the Board may succeed in its purpose, and that the term may be defined in such a manner as to conserve the best interests of the profession.

Continued efforts have been made in New York State to secure legislation-making communications between clients and accountants "privileged communications" and it is hoped and believed that such legislation will obtain in the near future. An unsuccessful effort has also been made to secure the exemption of Public Accountants from jury duty.

The Committee has at all times been anxious to be of service wherever possible and has carefully watched the progress of all events which might in any way develop a reason for future action.

Respectfully submitted,

(Signed) EDWARD L. SUFFERN,
Chairman.

Sept. 30, 1908.

Report of the Committee on the Journal of Accountancy.

THE AMERICAN ASSOCIATION OF PUBLIC ACCOUNTANTS:

Your Committee takes pleasure in reporting, that during the past year, the *Journal of Accountancy* has enjoyed an increase in circulation of forty per cent. which may be considered a very encouraging feature. But notwithstanding this circumstance, the *Journal,* up to the present date, has not reached the point of financial success, which should render it self-supporting. And in this connection it must be borne in mind that the spread of professional and technical literature is not accomplished with the rapidity of the ordinary trade or fictional publication.

The fact that the *Journal* is now displayed for sale upon the newsdealers' stands, will undoubtedly give it increased publicity, and introduce it into general favor, which can not fail to produce satisfactory results.

There is no doubt whatever as to its literary success. Every care has been taken to secure that, as the high standards of the articles published will amply testify. Its prestige and influence are being felt more and more, as may be witnessed by the interest which many accountants are taking in its welfare, and acknowledging its medium, by sending in unsolicited, a large number of articles of high merit and value. The editors inform your Committee that they have received this year many

more such articles than in previous years most of them on important subjects which the practicing accountant can not afford to ignore, and which will awaken interest in other circles, outside the profession. It is impossible, in the nature of the case for the editors to extend a personal invitation to every accountant. A general invitation, however, has been extended and repeated many times and should be still more generally accepted.

A new feature introduced this year, merits special mention, namely: the C. P. A. Question Department. This department is under the able management and direction of Mr. Leo Greendlinger, who has so conducted it as to excite great interest among both students and members of the profession at large. There are indications that the influence of this department is already making itself felt in raising the standards and uniformity of the C. P. A. examinations.

Otherwise the editorial management of the *Journal* has remained unchanged, and the original purposes of the magazine, namely: to advance the interests of the profession in every possible manner, and to expand the service of accountancy, have been kept constantly in view, and developed without cessation.

Now, with regard to the financial status of the *Journal* your Committee reports that it has been necessary, during the past year, for the company to raise additional capital, to enable it to carry on its meritorious operations, by the sale of treasury stock, and also to accept the public-spirited offer of the editors to render their services, pro tem, without compensation. But more capital is still needed at the present time, for the further extension of the magazine sales, as well as for the publishing company's book business, and the additional capital should be subscribed without delay.

From what your Committee has already reported above, there seems to be little doubt, that in view of the steady increase in the circulation of its publications, the Accountancy Publishing Company will eventually be in a condition to pay regular dividends upon its preferred stock.

The losses arising upon its operations during the past year, have been less than in any previous year, and it is to be hoped that with the increased facilities which additional capital should secure, the earnings for the coming year will be sufficient to cover all expenses. In the meantime, the burden of meeting the losses inevitably arising during the first four years of the company's existence, in its endeavors to secure general recognition should be equally distributed and subscribed among the members of the profession for whose benefit it has been founded.

Your committee suggests, as a revenue raising expedient, that all the State Societies be asked, collectively, and through their individual members, to use their influence in obtaining new subscripitons for the company's publications and to otherwise promote its welfare.

Respectfully submitted,

J. R. Loomis, Chairman,
J. E. Sterrett,
J. T. Anyon.

Appropriations—Budget Committee.

New York, October 3, 1908.

To the Board of Trustees of The American Association of Public Accountants:

Gentlemen: Pursuant to Section 9-b, of Article 1, of the By-laws, the Appropriations-Budget Committee hereby unite in recommending the

following estimate of needed appropriations for the ensuing year, 1908-1909:

Secretary's services	$900.00
Stationery and Printing	700.00
Postage, express, telegrams, and sundries	600.00
Journal of Accountancy	500.00
Annual meeting, 1909	400.00
Committees—Legislation	150.00
Arbitration	150.00
Press and Publicity	100.00
Executive	100.00
" emergencies	150.00
	$3,750.00

Section 9-b of the By-Laws, reads as follows:

" Section 9-b. At each meeting of the Association the Board of Trustees shall present a budget showing the amount of money required for the purposes of the Association for a stated period.

No debts shall be contracted or money spent other than as specified in said budget or in excess of the sum provided for the stated purposes until such proposed expenditure or indebtedness has received the approval of at least three-fourths of all the members of the Board of Trustees."

Respectfully submitted,

(Signed) FRANKLIN ALLEN,
Chairman.

Report of Arbitration Committee.

This committee reported progress in adjusting the matters referred to them, but as their work is of a more or less confidential nature their report is not printed in full.

Report of Annual Meeting, 1908.—Committee General Arrangements.

PHILADELPHIA, PA., October 8, 1908.

TO THE BOARD OF TRUSTEES OF THE AMERICAN ASSOCIATION OF PUBLIC ACCOUNTANTS:

Pursuant to invitation extended to the St. Paul meeting last year The American Association of Public Accountants will hold its next Annual Meeting under the auspices of the Pennsylvania Institute of Certified Public Accountants, at Atlantic City, New Jersey, Tuesday, Wednesday and Thursday, October 20, 21, and 22, 1908.

The New York State Society of Certified Public Accountants and the Society of Certified Public Accountants of the State of New Jersey, will co-operate with the Pennsylvania Institute in the entertainments to be offered to the members, friends, and guests of the Association.

Headquarters and meeting rooms have been arranged for at the Marlborough Blenheim, and the indications are that the majority of those in attendance will stop at this hotel.

The Committee has been fortunate in securing very able contributions to the program of the literary sessions. The subjects of the papers

to be presented are believed to be both interesting and timely and should result in profitable discussions. The papers are now in the hands of the printers and will be ready for distribution at the meeting. The titles of the papers and the name of the contributors, are:

"Railroad Accounts in Relation to the Twentieth Section of the Act to Regulate Commerce."
Professor Henry C. Adams.
Mr. Arthur W. Teele, C. P. A.

"Accounting Practice and Procedure."
Mr. A. Lowes Dickinson, C. P. A.

"The Accounting of Industrial Enterprises."
Mr. William M. Lybrand, C. P. A.

The hearty thanks of the American Association are due these gentlemen for their thorough and painstaking presentation of the respective subjects and for their kindness in contributing so liberally of their time and experience to the upbuilding of the body of good accountancy literature and to the general welfare of the profession.

The papers will be read by title only and briefly presented to the meetings, thus leaving more time for general discussion of the subjects. In this connection the Committee expresses the hope that members will bear in mind the length of the program and co-operate in the prompt dispatch of routine business in order that the Convention may be assured of ample time for the literary sessions.

This year we are to be honored by the attendance of an unusual number of distinguished representatives of societies of professional accountants outside of the United States. The profession in this country is glad of this exceptional opportunity of welcoming their brethren from other English-speaking countries, and their presence and friendly intercourse with us at our annual gathering can not but be of the greatest mutual interest and benefit.

In June last, the Committee mailed to each member of the Association, a preliminary program in which was outlined the principal features of the literary and business sessions and reference was made to the social entertainments to be offered by the three associate societies. This program remains substantially unchanged, the only additional feature proposed being a special session on the evening of Wednesday, October 21, to welcome the guests of The American Association, representing societies of professional accountants outside of the United States. The various social entertainments are in the immediate charge of the three State Societies, acting through their respective committees, with the exception of the banquet, which is an official function of The American Association.

The Committee has secured the acceptance of several interesting speakers for the Annual Banquet. A generous portion of the evening, however, has been set aside for short speeches from members of the Association and our guests from other societies. The Pennsylvania Institute is co-operating in the banquet arrangements and will provide some special entertainment during the evening.

Respectfully submitted,

ADAM A. ROSS, JR.,
CHAS. N. VOLLUM,
J. R. LOOMIS,
THOS. CULLEN ROBERTS.

Committee on Annual Meeting—1908.

Report of Committee on Invitations and Attendance.

NEW YORK, October 12, 1908.

TO THE PRESIDENT AND BOARD OF TRUSTEES OF THE AMERICAN ASSOCIATION OF PUBLIC ACCOUNTANTS, NEW YORK CITY:

Gentlemen: The Committee on Invitations and Attendance, appointed by the president of The American Association of Public Accountants, auxiliary to the General Committee on Arrangements, begs to report that it has issued invitations in the name of the board of trustees of The American Association of Public Accountants, to forty societies of professional accountants, comprising all such societies known to your committee in English-speaking countries, other than the United States of America.

The invitation was in the following form:

> "On behalf of the board of trustees of The American Association of Public Accountants, I have the honor to extend to the president and the council of.....
> .....a most cordial invitation to attend the twenty-first annual meeting of the association, to be held at Atlantic City, in the State of New Jersey, U. S. A., on the 20th, 21st, and 22d of October, 1908. Also to be present at all the meetings and entertainments to be held on that occasion, as the guests of the association."

Replies have been received from substantially all of the societies invited, and these replies have all been most cordial and appreciative.

Definite acceptances have been received from the most important societies in England and Scotland and from all, but one, of the societies in Canada. The following gentlemen who are, except in the case of the two Scottish Societies, the presidents of the respective societies, have been designated to attend the twenty-first anniversary of The American Associaion of Public Accountants. All of the gentlemen named have accepted the appointments and will be present.

The Institute of Chartered Accountants in England and Wales.

Mr. John B. Ball, F. C. A., of London, President of the institute, who will be accompanied by Mrs. and Miss. Ball.

Mr. William Plender, F. C. A., of London (a member of the council) accredited delegate.

The Society of Incorporated Accountants and Auditors.

Mr. Harry Lloyd Price, F. S. A. A., of Manchester, President, who will be accompanied by Mrs. and Miss Price.

Mr. Arthur Edward Green, F. S. A. A., of London, vice-president, who will be accompanied by Mrs. Green.

The Institute of Accountants and Actuaries in Glasgow.

Mr. Alexander Moore, Jr., C. A., of Glasgow.

Mr. John Annan, C. A., of London.

Mr T. H. B Rorie. C. A., of Dundee.

The Society of Accountants in Edinburgh.

Mr. Richard Brown, C. A., of Edinburgh, Secretary.

Mr. James Campbell Dewar, C. A., of Edinburgh, who will be accompanied by Mrs. Dewar.

Mr. William Greenhill, C. A., of Edinburgh, who will be accompanied by his sister, Miss Greenhill.

The Society of Accountants in Aberdeen.

Will be represented by Mr. Richard Brown, C. A., of Edinburgh.

The Bristol Society of Chartered Accountants.

Mr. Clare Smith, F. C. A., of Bristol, President.

In addition to those above named ,the undermentioned societies of accountants in Great Britain accepted the association's invitation and appointed delegates, but the gentlemen appointed, found it impossible to take the journey to Atlantic City.

South Wales and Monmouthshire Society of Incorporated Accountants.

Nottingham Society of Chartered Accountants.

The following societies of accountants in Great Britain acknowledged the receipt of the invitation in the most cordial terms, but found it quite impossible to accept.

Leicester Society of Chartered Accountants.

Liverpool Society of Chartered Accountants.

Manchester Society of Chartered Accountants.

Sheffield Society of Chartered Accountants.

The Institute of Chartered Accountants in Ireland.

The Society of Incorporated Accountants and Auditors in Ireland.

The Canadian societies that have accepted the invitation and their delegates are as follows:

The Association of Accountants in Montreal.

Mr. George Hyde, F. C. A., President, who will be accompanied by Mrs. Hyde.

Mr. A. F. Mitchell, F. C. A., 1st vice-president.

Mr. John McD. Hains, F. C. A., 2d vice-president.

All of the above named are from Montreal.

The Dominion Association of Chartered Accountants.

Mr. A. F. C. Ross, F. C. A., President, of Montreal, who will be accompanied by Mrs. Ross.

Mr Henry Barber, F C A., of Toronto, 1st vice-president, who will be accompanied by Mrs. Barber.

Mr. John W. Ross, F. C. A., of Montreal, ex-president, who will be accompanied by Mrs. Ross.

The Institute of Chartered Accountants of Ontario.

Mr. C. S. Scott, C. A., of Hamilton, president

Mr. G. U. Stiff, C. A, of Toronto, vice-president.

Mr. Arnold Morphy, C. A., of Toronto, Secretary.

Mr. F. H. Macpherson F. C. A, of Windsor, who will be accompanied by Mr. Macpherson.

Mr. George Edwards, F. C. A., of Toronto, ex-president, who will be accompanied by Mrs. Edwards.

The Institute of Chartered Accountants of Nova Scotia.

Mr. W. E. Leverman, F. C. A., of Halifax, who will be accompanied by Mrs. Leverman.

The Institute of Chartered Accountants of British Columbia.

Mr. William T. Stein, C. A., F. C. A., of Vancouver, president.

The Society of Incorporated Accountants and Auditors (Canadian Branch).

Mr. John Hyde, F. C. A., of Montreal, President.

The societies and associations of accountants in British Colonies, other than Canada, have replied in cordial terms, expressing ther appreciation of the invitations and their regret at being unable to send delegations to our twenty-first nnniversary.

Notices, circular letters, postal cards, and, in very many cases, personal letters have been sent by this committee to members of The American Association of Public Acçountants and its constituent societies, calling their attention to the forthcoming anniversary and inviting their attendance.

The committee has received definite word from a large proportion of the membership of the association that they can not attend—one hundred and sixty have advised the committee that they will attend, and the remainder of the membership has not been definitely heard from.

Advices so far received indicate that there will be an unusually large number of ladies at the convention. Present advices indicate that there will probably be a total attendance of three hundred persons, including guests and ladies.

Respectfully submitted,
WILLIAM M. LYBRAND,
EDWARD L. SUFFERN,
GEO. WILKINSON,
Chairman.

Report of Committee on Department Methods of the Government.

NEW YORK, September 14, 1908.

TO THE BOARD OF TRUSTEES OF THE AMERICAN ASSOCIATION OF PUBLIC ACCOUNTANTS:

Your Committee on Department Methods begs to report that during the past year it has further co-operated with the Government's Committee on Department Methods, appointed by the President, by giving consideration, at the request of the Assistant Secretary of the Treasury, to the method of the presentation of the annual reports of the Treasury Depart-

ment, and to making recommendations for changing and improving the system of double-entry treasury bookkeeping, which was installed July 1, 1907, as noted in the former report of this Committee.

On June 17, 1908, your Committee held a joint conference with a committee of the officials of the Treasury Department at which all the members of your Committee were present.

The financial statements which form a part of the annual report of the Secretary of the Treasury on the state of the finances, the time and method of closing the books, and certain details of the double-entry system of bookkeeping were discussed, and recommendations thereon were made by your Committee.

Under date of July 14, 1908, the Treasury Department issued Department Circular No. 56, of 1908, in which the changes recommended by your Committee were incorporated into the bookkeeping system of the Treasury Department.

Respectfully submitted,

(Signed) HENRY A. NILES,
Chairman.

Report of the Interstate Commerce Commission.

COLUMBUS, Ohio, September 18, 1908.

MR. THOMAS CULLEN ROBERTS,
Secretary, American Association of Public Accountants,
New York, N. Y.

DEAR SIR:—Replying to your favor of the 12th inst., addressed to me as Chairman of the Committee on Interstate Commerce Commission, I beg to advise that no matters have been referred to this Committee during the past year, either by the Board of Trustees or the Executive Committee, nor have there been any meetings of the Committee.

Yours very truly,
(Signed) J. S. M. GOODLOE, Chairman,
Committee on Interstate Commerce Commission.

Report of the Committee on Federal Recognition.

September 30, 1908.

TO THE PRESIDENT AND TRUSTEES OF THE AMERICAN ASSOCIATION OF PUBLIC ACCOUNTANTS:

At the last Annual Meeting of this Association, a resolution was passed that a Committee should be appointed, to be termed the Committee on Federal Recognition, and that said Committee should consist of one member from each constituent society, to be nominated by such society, and four members-at-large to be appointed by the President.

Pursuant to such resolution, the following gentlemen have been nominated by their respective societies:

F. Bromley Jansen ..... California
E. R. Harper ..... Colorado
Joel Hunter ..... Georgia
A. Lowes Dickinson ..... Illinois

Chas. O. Hall ..... Maryland
Thomas S. Spurr ..... Massachusetts
H. C. Beck ..... Michigan
N. B. Hinckley ..... Minnesota
H. T. Westermann ..... Missouri
F. G. DuBois ..... New Jersey
H. R. M. Cook ..... New York
J. H. Kauffman ..... Ohio
Chas. N. Vollum ..... Pennsylvania
Edward S. Elliott ..... Tennessee
E. G. Shorrock ..... Washington

and the President appointed:

R. H. Montgomery ..... Pennsylvania
James Marwick ..... New York
Norman E. Webster ..... Washington, D. C.
Edward L. Suffern ..... New York

As there has been no occasion for the Committee to take any action during the past year, no meeting has been called.

Respectfully submitted,

(Signed) EDWARD L. SUFFERN,
Chairman.

Report of the Committee on Professional Ethics.

October 19, 1908.

This Committee has not during the past year been favored with any direct references upon specific cases by the Executive Committee of the Association, but has received several communications from members, or affiliated societies which are of importance.

ITEM 1. The Colorado Society and the Colorado State Board of Accountancy, have both adopted ethical rules along the lines of those established by this Association last year, as well as others having particular reference to privilege, comity, soliciting, and contingent fees. The importance of this step by the Colorado State Board is worth noting as indicating its desire to support the high aims of the profession by rules upon which to rely when exercising their statutory power of revocation or suspension of the Certified Public Accountant privilege.

ITEM 2. Our attention has been drawn to a form letter of solicitation issued in July last by an incorporated business institute which claims, upon its lithographed letter-head, to be members of the New York State Society of Certified Public Accountants, and of this Association. Without reference to the merits or otherwise of the purpose of such soliciting letter, this Association and the Society named should express themselves upon the use of such relation by the parties concerned. It is obvious that the incorporated body itself can not be a member of either the Society or Association, and that the claims so advertised in this connection are for commercial effect upon the uninformed public.

ITEM 3. We were favored with an anonymous communication from some person claiming to be a member of this Association, wherein, among other things, this Committee is urged to more activity. For the benefit of the writer, we wish to say that such methods are not fair nor sufficient evidence upon which this Association can act. Discretion in handling specific cases may be relied upon, and the members of the Committee are at all times receptive in matters pertaining to their part of the work of the Association when properly presented.

ITEM 4. Our attention has been called to various and sundry infractions of Rule 5, Article 7, of our By-Laws, having reference to the pre-

vailing and growing habit of practitioners using miscellaneous characters after their names on their letter heads, cards, and other advertisements. This Association can do much towards curbing this vain practice, especially at its annual conventions. It is, in fact, its plain duty at all times to enlighten the business public as to the meaning of, and distinction between the insignia of our statutory degree and those initials indicating a diploma in some unofficial school or college of which the general public can have no adequate knowledge.

ITEM 5. Our attention has been called to two instances that are plainly violations under any of our statutory enactments, but unfortunately they are both in a State in which there is no C. P. A. law, nor does the Society of Accountants belong to this Association. In one case, the ..... Audit Company, styles itself "Chartered Public Accountants," in the city directory and on its office sign; and in the other, a practitioner advertises in display type as a "Certified Public Accountant," and in his letter heads and signature also.

We suggest that the Executive Committee be instructed to communicate with the members-at-large, also with the assistant editor of the *Journal of Accountancy* in that State.

ITEM 6. A practitioner advertised in the Chicago City Directory as a "Corporate Public Accountant." He produced to the inspection of the Secretary of the Illinois Society, a certificate of "The Corporation of Accountants, Limited," of Scotland, of which James Brown is President, and James Martin is Secretary (no relation of Mr. Richard Brown, the well-known historian of the profession and our highly esteemed guest, nor is the James Martin any connection of our friend, the Secretary of the London Society, whose genial presence did so much to illuminate proceeding at St. Louis in 1904. The Scottish Chartered Societies some few years ago obtained an injunction against this corporation and specifically against two of its members which debarred them from using the letters C. A., or any other misleading designation.

In the present case the party admitted that he was technically violating the statute, and stated that he would hereafter represent himself as a "Corporate Accountant of England!"

In the first place, a directory advertisement is good for a year, and in the next, the ingenuity of those who whether innocently or otherwise, are acting falsely toward the public is infiinite and can not be anticipated.

Your Committee has had its attention called to the "Central Association of Accountants," of London, which established an office in New York and issued an American prospectus, in which is to be noted (inter alia) that the members of the Council, Examiners, Officers, and others, all are styled F. A. A. and a large number are complimented with other initials, even to the number of ten such, until not even an expert can tell without the aid of the context what their import is. However, this particular effort has had its day, and has been properly considered in our official publication; nevertheless, the profession on this side of the Atlantic ocean should be prompt to do what is possible to discountenance the efforts of unwarranted bodies of men from breaking into a profession by indirect means, especially so when it is well understood that the established institutions of accountants in Great Britain are upon the eve of reaching the goal of Government recognition, and these concerns of mushroom growth hope to be embraced under the law whatever may be its benefits. Even from a practical, rather than from an ethical point of view, any other course would be poor policy, for the reasons apparent in the operation of the so-called reciprocity clause of our statutes.

We shall all be glad to hear of a successful outcome to the negotiations now going forward, looking to some form of unification of pro-

fessional accountants under the aegis of a comprehensive statute effective throughout the realm. Such statute might take "a leaf out of our book" and embrace therein a reciprocal clause, under fair restrictions, so that should a Chartered or Incorporated Accountant make the United States or its dependencies his field of practice he could do so as a Certified Public Accountant, and, should a Certified Public Accountant of this country transfer his field of effort to any part of the British Empire, he could obtain the necessary certificate of authority to use the designation to which the business interests of the country are accustomed.

This country is the favored field of a class of empirical practitioners who call themselves "Chartered Accountants," and much correspondence and valuable time is expended in the endeavor to find wherein their warrants rest, whereas, a simple understanding, such as suggested, would do much to alleviate present conditions and advance the standard and position of our calling generally.

It is of interest to the Association to learn that the Province of Ontario has during the past year passed a penalizing statute in regard to the fraudulent use of the terms or initials in professional use in that Province.

Another question frequently presented is that of a firm name ending "and company."

This Committee is of the opinion that where such termination is without substance and done for effect only, it is wrong and a deception to the public. Where such is the case and the words "Certified Public Accountants" are placed under the name on letter heads and cards, it is both legally and morally wrong.

Your Committee recognize the fact that firms so styled and consisting of more than one partner can not be distinguished from such as the above first named, nor can they unless they "side-panel" the full names of each partner on their printed matter. Our patrons are entitled to know specifically and not indefinitely in whom they are confiding.

A question of much weight that ought to be taken up by this Association is that of assuming a leading or more active part in the prevention or prosecution of violations of the statutes, as well as in pointing out to those who may innocently enough diverge from a proper ethical standard in such matters. It is frequently the case that newly formed societies or those that are small in membership, hesitate to take the lead in raising questions of this nature for fear their motive may be misconstrued.

Your Committee takes this opportunity of thanking the members of constituent societies for the courteous and ready aid extended to them throughout the year.

Respectfully submitted,

(Signed) JOHN A. COOPER, Chairman,
WILLIAM M. LYBRAND,
EDWARD L. SUFFERN.

Report of the Press and Publicity Committee.

Through the natural environments of the Committee, no formal meetings have been held, but reports have reached the Chairman from time to time of the work that is being accomplished by the profession in various parts of the United States and Canada; and in this report it is impossible to submit the results of any definite effort on the part of the Committee, and it will partake more particularly of a resume of the publicity granted the profession during the past year.

Annual Meeting of the American Association.

Much favorable publicity has been given to the American Association of Public Accountants and its constituent societies by reason of their earnest endeavors and applied energies in co-operating with and assisting the leading universities in the establishment of Schools of Commerce, Finance, and Accounts. The results of this work are particularly noted in Colorado, Illinois, Massachusetts, and Minnesota, where the local State Societies of Public Accountants have assisted in inaugurating features calculated to prove of permanent benefit, not only to the public, but to the profession of accountancy.

The work of the American Association has received desirable publicity in Texas through the efforts of some of its members to inaugurate university extension courses in the principal commercial centers of that rapidly developing State.

Through the efforts and untiring energy of several of the local State Societies, C. P. A. laws have been adopted and much desirable publicity as to the profession and its responsibilities have been produced. This is particularly true as to the State of Ohio.

The work of the Maryland Society during the last session of their Legislature, in relation to a Bill providing that all statements of a financial nature, issued or published by a corporation in the State of Maryland, should be verified by a Certified Public Accountant, caused much discussion and comment, and while the Bill failed of passage, it directed attention to the work of the Public Accountant in a gratifying and satisfactory manner. The time is not far distant when this Bill, with possible modifications, will be adopted, not only in Maryland, but in many other leading States where C. P. A. legislation has been enacted.

The excellent work accomplished by those in charge of the *Journal of Accountancy* is to be commended, and it is a matter for congratulations that the Association is deriving publicity in this intelligent manner, particularly as the articles appearing in the *Journal* have been copied far and wide, and that the *Journal* has obtained a position of deserved recognition as the representative of accountancy in the Western world.

It is urged upon constituent societies and Members-at-Large, that wherever and whenever possible, they do all in their power to encourage and support the circulation of the *Journal.*

Many press notices have come to the observation of the Committee, complimentary of the publication of the Twentieth Anniversary Year-Book, and it is recommended to the State Societies that where possible, copies of this book be deposited in the State Public Libraries, to be used as a Reference Book, and that the libraries of the principal daily papers be presented with a Year-Book.

This work will materially aid publicity and prove of inestimable value in establishing the American Association as a recognized body of professional men.

The work of standardizing accounts and discussions incident to Municipal and State accounting problems have also contributed to the publicity of the profession of accountancy in an agreeable and complimentary manner.

The work of the American Association of Government Accountants, and the American Association of Comptrollers and similar societies, have contributed favorable publicity to the professional Public Accountant.

The attention of the Trustees is directed to the fact that there are a number of National and State organizations, such as the American Bar Association, American Banker's Association, the Commercial Law League of America, and many other similar commercial and professional bodies who hold annual meetings in various parts of the United States, and it would be extremely desirable to have the profession of accountancy rep-

resented at these gatherings by some person or persons who are members of the Association, and who will qualify and deliver appropriate and consistent publicity relative to the profession of accountancy, and whose addresses will be printed and form a part of the permanent archives of these national organizations.

It is undeniable that publicity of this character, properly carried out and directed, will mean much to the profession of accountancy in every section of this country. It is recommended to the Board of Trustees that they give this matter careful consideration, and if they feel so disposed, that they appoint a special committee on lectures and publicity.

It is to be regretted that a thoroughly organized publicity bureau is at present, impracticable, but it is hoped, the day is not far distant, when a regularly organized bureau can be developed, and through its efforts much good could be accomplished in bringing to the attention of the public, the value and necessity of the service of properly qualified Public Accountants.

Respectfully submitted

HERBERT M. TEMPLE, Chairman.

Report of Committee on Education.

Your Committee on Education takes pleasure in reporting that there has been during the last year a notable increase in the number of University Schools of Commerce and Accounts and in the courses of instructions offered by universities for the preparation for young men for business careers. This Committee in its report a year ago gave a list of the universities which were offering instruction in accounting, and showed in detail the number of hours they were devoting to that and to allied subjects. We are glad to say that the universities named in our report of last year have found the demand for such instruction large enough to justify its continuance. Most of them, indeed, have enlarged their teaching staff and added new course of study.

The strong demand for a university training for business, which has been evidenced in recent years by the rapid growth of the University Schools of Commerce, has been responsible for the establishment during the last twelve months of at least six institutions. For the benefit of members of the Association, we will briefly describe these new schools:

Harvard University, which has maintained for several years a single course in accounting, has just opened a Graduate School of Business Administration under the most favorable auspices. We understand that friends of the university have pledged the sum of $25,000 annually for several years for the support of this school. Its corps of lecturers includes some well-known members of this Association and it curriculum embraces several courses in the theory and practice of accounting. The school was primarily designed for the preparation of college graduates for business careers, but men who have not had the advantage of a college education are admitted to all the privileges of the school as special students. All the sessions are held during the day and the year's work is now under way with a satsifactory enrollment.

For the benefit of young business men in Boston, who are unable to attend a day school, a School of Commerce, Accounts, and Finance, has been established in connection with the Young Men's Christian Association. It is reported that this school will be modelled after the Evening School of Accounts and Finance, connected with the Universities of Pennsylvania and New York. The instruction in accounting is to be under the direction of a graduate of the New York University School

of Commerce, Accounts, and Finance. According to newspaper reports, Tufts College, which is located in a Boston suburb, is to receive from the estate of the late Mr. Braker of New York City, the sum of $500,000 to be devoted to the establishment and maintenance of a School of Commerce, Accounts, and Finance. This is the third bequest to American Universities in behalf of commercial education. We believe the Tuck School, which is a graduate school of Dartmouth College has an endowment of $500,000, and that the Wharton School of the University of Pennsylvania has received $250,000 from its founder, Mr. Joseph Wharton. In the opinion of this Committee, the rich men of this country who are seeking to make a useful and patriotic disposition of their surplus wealth can not do better than aid our universities in the development of facilities for the preparation of young men for business careers.

In Illinois, two universities have established schools for the special purpose of training men in accountancy. The University of Illinois, which has for some time maintained courses in various business subjects, now offers courses of study in all the branches of accounting. The Northwestern University, which owns a building in the heart of Chicago, has this month opened an evening school of commerce, in which every facility possible will be afforded to young men desiring to prepare for the C. P. A. examinations. We are glad to report that this University School, like the New York University School of Commerce, is largely the product of the efforts of Public Accountants, and that the two professors of accounting are members of this Association.

As a result of the interest aroused in commercial education in St. Paul and Minneapolis, at the last Annual Meeting of this Association, the University of Minnesota is this year offering evening courses of instruction in accountancy, commercial law, insurance, and some other allied subjects. There is every reason to believe that the university will not regret having taken this step and that it will steadily broaden the scope of its work in this field.

The University of Colorado, as a result of the efforts of Public Accountants, has established a School of Commerce, Accounts, and Finance, in Denver. The school has opened with a fair attendance and promises to have a successful career.

The Dean of this school, Mr. J. B. Geijsbeek, is a well-known member of this Association.

In St. Louis, there has just been opened a College of Law and Finance, in the curriculum of which we find the subject of accountancy fully covered. Mr. Westermann, a member of this Association, has direction of the instruction in accounting.

Your Committee would strongly urge upon all members of the Association that they give enthusiastic and loyal support to the schools of commerce and accounts which are located in their vicinity. It can not be expected that the new schools will at once equal the older institutions in all respects, but with generous local support they should make rapid advancement and do good work for the profession. Accountants may not approve of certain details in the curricula and some may feel like criticising the selection of lecturers and instructors. In fact, we have heard some accountants predict failure for this and that school because it was not started on lines which they approved of. Criticisms and predictions of this sort we strongly deprecate. Now is the time for accountants to pull together in the cause of education. The students of these new schools who will be our successors in the profession can not be our competitors. It is the duty of every member of the Association as an American citizen and as a Public Accountant to give generously of his time his interest, and his sympathy in the establishment and the upbuilding

of these schools, which are destined to aid so much in the advancement of our learned profession.

Respectfully submitted

J. R. LOOMIS, Chairman,
H. R. M. COOK,
W. SANDERS DAVIES,
D. W. SPRINGER,
JOS. FRENCH JOHNSON, Secretary.

Report of Committee on Ethical Rules.

October 19, 1908.

Gentlemen: Your Committee beg to report that in order to develop among our members the consideration of rules, additional to those adopted at last year's convention (See Article 7 of the By-Laws), they suggested to several constituent societies that consideration be given to formulating such additions thereto as they might deem advisable.

Up to the time of making this report, your Committee has received but one response to this request, which is as follows:

ILLINOIS SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS.

REPORT OF COMMITTEE ON ETHICAL RULES.

CHICAGO, August 18, 1908.

SEYMOUR WALTON, ESQ.,
President, Illinois Society of C. P. A.,
Chicago, Ill.

This Committee met on the evening of Monday, July 13, 1908, at the St. Hubert Restaurant, Chicago, and again on the afternoon of Tuesday, August 18, 1908, at 1730 Tribune Building, for the purpose of considering:

(*a*) Whether or not it is desirable that recognized bodies of accountants throughout the United States should adopt a code of Ethical Rules suitable to the profession of public accounting, and,

(*b*) If, in the opinion of this Committee, such course should be followed, then, whether or not it would advise the Illinois Society of Certified Public Accountants to recommend to the American Association of Public Accountants, the adoption of such or similar Ethical Rules which could be regarded as a standard to which all practicing accountants should aspire.

After carefully considering these questions, and having unanimously decided that it is desirable in the best interests of the profession in the United States of America, that some standard of Ethical Rules should be drawn up and promulgated this Committee felt that it behooved it to make a recommendation with regard to such rules, and it, therefore, after due consideration, endorsed the position taken by Mr. Sterrett in his paper read before the American Association of Public Accountants, at its last annual meeting held at St. Paul, Minn., October 15, 16, and 17, 1907, as amplified and codified by Mr. John Alexander Cooper in his discussion of said paper. This Committee feels, however, that it can not join in Mr. Cooper's unreserved condemnation of the acceptance of a contingent fee under any circumstances, but thinks that exceptional occasions may arise in an accountant's practice when the acceptance of such a fee might be permissible.

With regard to the question of Audit Companies, this Committee believes that such companies as generally constituted are wrong in prin-

ciple, and thinks that they can only be regarded as permissible, if at all, when they are formed in accordance with the plan outlined editorially in the *Journal of Accountancy* for February, 1906, to the following effect:

> "The main, and indeed, the only reason which in our judgment justifies such incorporation is the desire of members to transmit their interest in the goodwill of the concern to their heirs. But, while admitting the propriety of incorporating audit companies in which the directors and stockholders are practicing accountants and where professional secrecy and responsibility are preserved, the severest condemnation should be visited upon audit or accounting companies whose directors, not practicing accountants are, relied upon to furnish business to the concern, because of their various connections and who usually expect a return in confidential information in addition to their dividends."

This Committee desires to express its strong disapproval of any attempt on the part of a Certified Public Accountant, practicing in a State other than that from which he obtained his degree to bring about an amendment of the law in said other State which shall impair its efficiency and tend to lower the educational or professional standard that has been established.

Respectfully submitted

(Signed) W. EARNEST SEATREE,
WM. ARTHUR CHASE,
PAUL C. JOHNSON.
Committee.

We therefore, after considering this report from the Illinois Society, accept the recommendations thereof in regard to this Association's attitude towards incorporated companies practicing professional accounting, also, that in regard to the comity between societies in relation to their C. P. A. statutes.

To make this last point clear, it should be explained that a person holding a C. P. A. certificate of one of our States migrated to another State having the same general statute, and, in order to influence the attendance at his school of accounting, used means to have the statute amended so as to suspend the High School qualification of applicants. Nothwithstanding the exertions of the local society in all fair and upright ways, they only succeeded in securing a limitation of two years to this amendment.

In regard to the question of contingent fees, your Committee is driven to the conclusion that the opposition to this rule, especially from some of our most earnest and active members, arises from a misunderstanding as to what is meant by a contingent fee. A fee dependent in a greater or lesser degree upon the availability of the work performed by a practitioner for the purposes for which it is intended, such as the acceptance of the certificate in the money market, is not a contingent but properly should be termed *an alternate fee.* Where a practitioner, as a sequel to his service, is called upon to assist the promoters or syndicate in furthering the project in hand because of his fundamental knowledge thereof, acquired in the course of his work, this does not come within the range of what is recognized as professional accountancy, and a practitioner thereby sets aside his professional calling for the nonce and joins the ranks of those who are seeking gain from the ultimate outcome of the venture. With such conditions, in which there is no wrong either positive or remote, this profession as a body can have no concern; but where the payment for an accountant's professional work is dependent upon the outcome either of

a commercial venture, or of a case in litigation or arbitration, then a contingent fee is wholly wrong, vicious in effect, and discredits the judicial attitude that the impartial accountant is reasonably expected by the laity to maintain at all times.

Without enlarging upon this theme, which is so suggestive of the broadest treatment, we recommend the adoption of the following additions to the rules as set out on page 162 of the 1907 Year-Book:

Rule (1) (Addendum) Nor shall he conceal his personality under a corporate name, either nominal, personal, or fictitious.

(6) No member shall agree to perform accountancy work, for parties to commercial ventures or contested cases, either in prospect or instituted, payment of fee, for which is by arrangement upon the contingency of the result.

(7) No member shall interfere or in any way take part in any effort looking to the modification, alteration, or amendment of any State laws affecting the profession of accountancy without the concurrence and co-operation of the society or societies of the State or District concerned.

Respectfully submitted,

(Signed) JOHN A. COOPER.

Report of the Committee on Uniform Bank Voucher Check.

September 30, 1908.

Pursuant to a request made by the counsel of the American Banker's Association President Sells, with the authorization of the Board of Trustees, appointed a Committee to consider and recommend to the Committee of the American Banker's Association a Uniform Bank Voucher Check. This Committee consisted of the President and Secretary, ex-officios, and J. E. Sterrett, H. A. Dunn, Guy H. Kennedy, Allen R. Smart, and Edward L. Suffern, Chairman.

In conformity with such appointment, the Committee held a meeting at which were present Messrs. Dunn, Sterrett, Roberts, and Suffern, and adopted two forms which in their opinion would meet the approval of the bankers as covering the points of negotiability and easy handling, and would at the same time preserve all the features which make the ordinary folded voucher check desirable to the users thereof The Committee submitted several illustrations of these forms with a report to the Committee of the American Banker's Association.

The latter Committee, through its counsel, expressed its appreciation of the services of this Committee and their opinion that the forms presented were an improvement upon anything heretofore submitted. The counsel stated that it had been the purpose of the Committee of the American Banker's Association to make a report to the Convention which was to meet in Denver on the 28th of September, but that, owing to the fact that the matter was of great interest to the railroad accountants, they would defer to the suggestion proceeding from the Association of Railroad Accountants and the Association of Railway Financial Officers, that Committees from these two bodies should confer with them before the recommendation of the Model Uniform Bank Voucher should be adopted and that these two railway organizations would expect to appoint committees at their several conventions to be held during the month of October. When such committees are appointed there will undoubtedly be a conference between them, the American Banker's Association and this Committee, following which, it is reasonable to expect that the

American Banker's Association will be in a position to make the recommendations which it desires.

Your commitee therefore reports progress.

Respectfully submitted,

(Signed) EDWARD L. SUFFERN, Chairman.

Report of Auditors.

ATLANTIC CITY, N. J., October 20, 1908.

TO THE PRESIDENT AND BOARD OF TRUSTEES OF THE AMERICAN ASSOCIATION OF PUBLIC ACCOUNTANTS, ATLANTIC CITY, NEW JERSEY:

GENTLEMEN: We have audited the books and report of the treasurer for the fiscal year ending September 30, 1908, and find the same to be correct.

Your auditors respectfully recommend:

First. That the secretary of The American Association be, and upon the adoption of this report, is instructed to procure the necessary records and blanks for keeping the accounts of The American Association of Public Accountants in permanent form, and that the present temporary set be transferred.

Second. That, whereas the by-laws of The American Association do not definitely set forth which officer shall keep the accounts, we recommend that the Secretary be, and he is, hereby instructed to keep a complete record of membership, charging at the beginning of each fiscal year all dues; crediting this account with all payments thereon.

Further. that the secretary keep in proper form, the annual budget, in order that no warrants be drawn in excess of the appropriations.

Also, that he keep a voucher record, showing the distribution of all disbursements.

The treasurer will then only be required to keep a classified record of moneys received, and simple distribution, under budget divisions, of all payments made by him on properly authorized vouchers drawn against the association funds.

Respectfully submitted,

(Signed) H. A. KELLER,
ALEXANDER E. FOWLIE,
Auditors.

Reports of State Societies.

The California Society of Certified Public Accountants, Inc.

OFFICE OF THE PRESIDENT,
306-8 Call Building.
SAN FRANCISCO, CAL., September 24, 1908.

T. CULLEN ROBERTS, ESQ., C. P. A.,
Secretary, American Association of Public Accountants,
New York City.

DEAR SIR: Your favor of the 11th inst., directing my attention to an annual report from our Society was duly received. I have delayed making an official report for our Society for two or more reasons, among which was the desire for something interesting to report as having been accomplished for accountancy during the past year. I wished also to wait until delegates had been elected to represent us at Atlantic City, and further that I was until quite recently entertaining the hope that something favor-

able might be reported as accomplished on the question of our difference with a rival society in California.

You will receive official advice from the Secretary of our Society as to the delegates elected and their alternates, so I shall leave to that communication the results of our Society's action.

I regret not to be able to report to the American Association any unusual work done by our organization during the past year in the interests of accountancy in general. We have been laboring under peculiar conditions, as is well known to all the members of the American Association, conditions that have been an impediment not only to our own progress, but to the general progress of accountancy in California.

The Certified Accountants in California being split into two Societies (and we have recently heard of the formation of a third) has prevented that unanimity of action or consolidation of effort in the direction of general progress which would prevail were we united and in entire harmony. While individual accountants and small organizations of them may see much to be done for accountancy both in the promotion of our profession along commercial lines, and in State and National accountancy legislation, they are able to accomplish much less in a given community in this divided condition than they could if all were harmoniously united under one organization.

The officers and members of the California Society have during the past year made some earnest efforts to bring about a reconciliation between the two societies, but our efforts have been met with scant courtesy, and less encouragement by the members of the "Associated Certified Public Accountants." We are likewise disposed to feel as individual members that the American Association has not treated this matter with the active firmness that we have considered warranted under the circumstances. Consequently, we have proceeded during the past year under more of a passive waiting attitude, holding ourselves at all times in readiness as an organization of professional men to meet the issue of reconciliation fairly and squarely.

With the highest regard for the officers of the American Association, and a sincere hope that the approaching annual meeting may accomplish much for accountancy, I am,

Very truly,

(Signed) J. R. Ruckstell, C. P. A.
President, California Society of Certified Public Accountants.
[L. S.]

(Signed) J. F. Foster, Secretary.

The Colorado Society of Certified Public Accountants, Inc.

Office of the Secretary,
806 Equitable Building.

Denver, Col., September 23, 1908

To the Members of The American Association of Public Accountants in Convention Assembled, at Atlantic City:

The Colorado Society of Certified Public Accountants respectfully wishes to report as follows:—

In March, of this year, we reorganized and reincorporated our society under a new name which virtually amounted to adding the word "certified."

Under the supervision of the Society, a School of Commerce, Accounts, and Finance, was started as a branch of the University of Denver. This school was patterned after the New York School, and we wish to acknowledge our indebtedness to Dean Johnson of that school for the aid he has given us. The school started out with a good enrollment and excellent prospects for success.

In this connection, we laid a good foundation for an Accountancy Library which we hope to make one of the largest in existence before very many years have passed.

Our membership has remained about the same. We report with pleasure a remarkable increase in honest and professional intercourse among the members to the exclusion of professional jealousy with the natural result of raising the standard of the profession in the public opinion.

Respectfully submitted.

(Signed) J. B. GEIJSBEEK,
Secretary.

The Georgia State Association of Public Accountants.

OFFICE OF THE SECRETARY,
1220 Empire Building.

ATLANTA, GA., September 14, 1908.

TO THE BOARD OF TRUSTEES OF THE AMERICAN ASSOCIATION OF PUBLIC ACCOUNTANTS:

GENTLEMEN: The Georgia State Association of Public Accountants has much pleasure in reporting that largely through its efforts, a Certified Public Accountant bill has been passed by the Legislature of the State and received the approval of the Governor on August 18, 1908. Attached hereto is a copy of the bill as passed.

While our State Association has only ten members they are very active ones, and we have every reason to believe that the profession of accountancy in the State of Georgia will receive much wider recognition in the next few years than it has received before.

Yours very truly,

(Signed) JOEL HUNTER.
Secretary.

The Illinois Society of Certified Public Accountants.

SECRETARY'S OFFICE,
801 Marquette Building.

CHICAGO, ILL.

TO THE BOARD OF TRUSTEES OF THE AMERICAN ASSOCIATION OF PUBLIC ACCOUNTANTS:

The fiscal year which closes October 13, 1908, has been one of considerable activity, especially in regard to educational work. Following the meeting of the American Association at St. Paul, the Illinois Society joined hands with the Northwestern University in the endeavor to establish in Chicago an evening school of Commerce. The logical course would have been to have affiliated this school with the University of Illinois as that institution has charge of the execution of the C P. A. law in this State, and issues the certificates, but their location at a distance from Chicago, and the lack of a suitable building in that city would have

made such a plan awkward and expensive. The Northwestern University, on the contrary, is located almost within the city limits, and possesses a building in the central district which is fully equipped in every way. Recognizing the situation, the University of Illinois very generously waived its claims and promised its co-operation and moral support.

In order that no financial burden shall be imposed on the University, a board of guarantors was formed to stand between the University and any possible deficit in the management of the school. The Illinois Society through many of its prominent members made a very substantial subscription to the guarantee fund thus provided for, and in conjunction with the University succeeded in interesting the Chicago Association of Commerce which, through its Committee on Education, and the action of individual members, completed the subscription to the guarantee fund and furnished three valuable members to the Executive Committee, in which the management of the school is vested.

The result of the efforts of the University and the Illinois Society is that a School of Commerce has been launched on what promises to be a very successful career. A very general interest is manifested by the class of men from which the students would naturally be drawn, and while it is, at this date, too early to say that the school is a pronounced success, there is sufficient warrant for justifying the belief that it will be. This belief is substantiated by the success of an experimental course last winter, in which lectures on Finance were delivered by Prof. Earl Dean Howard, of the Northwestern University, and on accounting by a member of the Illinois Society of Certified Public Accountants.

During the coming year the academic work of the school will be under the control of the following:

FACULTY.

ABRAM WINEGARDNER HARRIS, Sc. D., LL. D.
President of the University..

INSTRUCTORS IN COURSE.

WILLARD EUGENE HOTCHKISS, A. M., PH. D. ..... *Dean.*
EARL DEAN HOWARD, A. M., PH. D., ...*Assistant Prof. of Economics.*
SEYMOUR WALTON, A. B., C. P. A., ... *Lecturer in Accounting.*
HENRY G. PHILLIPPS, C. P. A. ..... *Lecturer in Accounting.*
ALFRED WILLIAM BAYS, A. B., LL. B. .... *Lecturer in Commercial Law.*
FREDERICK SHIPP DEIBLER, A. M. ..... *Instructer in Economics.*
FRED HOMER CLUTTON, A. M.....*Secretary.*

The financial and business management will be in the hands of the Executive Committee, composed of:

ABRAM WINEGARDNER HARRIS.
President of the University, Chairman ex-officio.

Representing the Chicago Association of Commerce.
RICHARD C. HALL,
President of the Association of Commerce.
JOSEPH SCHAFFNER,
HART, SCHAFFNER & MARX,
L. WILBUR MESSER.
Chairman Association of Commerce on Commercial and Industrial Education. General Secretary of the Chicago Young Men's Christian Association.

Representing the Illinois Society of Certified Public Accountants.
JOHN ALEXANDER COOPER, C. P. A.,
Vice-President of the Illinois Society of Certified Public Accountants.
ALLEN R. SMART, C. P. A.
Manager, BARROW, WADE, GUTHRIE & Co.
J. PORTER JOPLIN, C. P. A.,
BUCHANAN, WALTON, JOPLIN & Co.
WILLIAM A. DYCHE,
Business Manager of Northwestern University.

FINANCE COMMITTEE.

MESSRS. COPPER, DYCHE, AND MESSER.

The general work of the Society has been carried on about as usual. A number of meetings were held, at some of which the educational movement was discussed, and at others papers were read on accounting subjects. At the invitation of the Commercial Law League, of America, the President of the Illinois Society attended the annual meeting of the League at Mackinac Island, and read a paper on "The Relation of the Commercial Lawyer to the Certified Public Accountant," which may serve to make the profession and its work better known to the lawyers of the country, who may read it in the official organ of the League.

The Society has elected eleven new members during the year and has one application pending. The members now number 62 regular and one honorary. We were unfortunate in losing, by death, one member, Laurence A. Jones, who was a charter member of the original society of Public Accountants, was Secretary for two years, and always took a prominent and active interest in the affairs of both the old and the new Societies.

Respectfully submitted,
(Signed) SEYMOUR WALTON,
President.

Certified Public Accountants of Louisiana.

OFFICE OF THE PRESIDENT,
CERTIFIED PUBLIC ACCOUNTANTS OF LOUISIANA,
605 Tulane-Newcomb Building.

NEW ORLEANS, September 15, 1908.

TO THE BOARD OF TRUSTEES OF THE AMERICAN ASSOCIATION OF PUBLIC ACCOUNTANTS:

Gentlemen: I have the honor to submit the first report of the Louisiana Society.

Since the organization of the Certified Public Accountants of Louisiana, our efforts have been, mainly, to secure the passage of a C. P. A. law. Four years ago, and again, two years ago, the accountants in this State failed to convince our legislature of the importance of such a law. We had accomplished something, however, because the experience gained was to help us in the future. And it did. After meeting and overcoming all obstructions the bill was finally passed July 1, 1908, and approved by the Governor the next day. The bill is practically the same as other state bills with the exception of Section 6 (the Waiver Clause) which I quote here:

"Be it further enacted, etc., That the Louisiana State Board of Accountants shall waive the examination of any

person possessing the qualifications mentioned in Section 1 of this Act, who, 1st, for not less than five years has been actively employed as an accountant or bookkeeper, who shall apply in writing to the Board for such certificate, provided, that said application be accompanied by an affidavit before any notary public or justice of the peace, giving the name or names, of the firms or corporations by whom he has been employed for the past five years, and provided said application be filed within ninety days after the passage of this Act, or who, 2d, for more than three consecutive years before the passage of this Act, shall have been practicing in this State on his own account, as a public accountant, and who shall apply in writing to the Board for such certificate within ninety days after the passage of this Act."

As originally drafted the waiver period was fixed at twelve months. The Committee on Banks and Banking, of both the Senate and House, to whom the bill was referred, claimed that the business public wanted all the protection they could get, and they felt that all those who were inclined to practice public accounting should be placed, if possible under the supervision of the Board, and particularly those accountants who held private positions, and did work during off hours. They would not recede from this position. The waiver period, however, was reduced to ninety days after the passage of the Act, and as the Governor appointed the Board sixty days after the passage of the Act, and the Board qualified on the 10th of September, there remained but twenty-three days in which to take advantage of the waiver clause.

We are now having our charter amended to conform with the C. P. A. law, and will also revise our By-laws. Only holders of C. P. A. certificates will be eligible to membership under this revision.

We aim at a high standard only, and we mean to heartily co-operate with our older brothers.

Very cordially yours,
(Signed) EMILE BIENVENU,
President.

Baltimore, Md., October 19, 1908.

TO THE PRESIDENT AND MEMBERS OF THE AMERICAN ASSOCIATION OF PUBLIC ACCOUNTANTS:

GENTLEMEN: The conditions in Maryland, from a professional point of view, as experienced by the members of our association, has greatly improved, and I am tempted to say, are satisfactory to the certified public accountants in our state. Business has increased, financial conditions improved, and the public generally are now well informed as to the advantages of engaging the services of Certified Public Accountants.

During the past year our association had prepared and introduced in the Maryland legislature, a bill—the object of which was to require all corporations, within the state, issuing for public information or publishing in newspapers a statement of its financial condition, to have such statement certified by a certified public accountant. Such certificate to set forth the name of the State from which the certified public accountant had received the certificate and was authorized to practice, and imposing a severe penalty upon the officer of any corporation who issued a false statement, or the Certified Public Accountant who knowingly certified to a statement which was materially inaccurate or misleading. After the usual fight before the committee to which the bill had been referred in the House, with the hope of overcoming the

strong fight against the bill made by trust companies, insurance companies, light, gas, and many other corporations—the bill was finally defeated. This defeat, however, was not unexpected, we had anticipated such defeat before the bill was introduced, but we succeeded in getting before the public in a way that caused us to feel that the publicity given through the daily papers and the general information brought out by the objections made by the corporations to the passage of our bill was well worth the efforts and money expended by our members.

While the bill was pending we distributed over 1,000 copies of same.

Our association, during the past year, has added to its membership two new members, they being the only ones to pass the examination as given by the State Board of Examiners. The examination was taken by ten applicants. The result of this examination indicates that the standard in Maryland has been greatly raised, and we have also had prepared a bill to increase the board to 5 persons; 3 certified public accountants, one lawyer, and one a member of the Faculty of Johns Hopkins University. In this way we are planning to become identified with one of the best known educational institutions in the United States.

Respectfully,

(Signed) CHARLES O. HALL,

President, Maryland Association of Certified Public Accountants.

The Incorporated Public Accountants of Massachusetts.

TO THE BOARD OF TRUSTEES OF THE AMERICAN ASSOCIATION OF PUBLIC ACCOUNTANTS:

GENTLEMEN: The incorporated public accountants of Massachusetts beg to report that during the past year there have been seven admitted to fellowship which now brings the total membership of fellows to thirty-six, associated thirteen, and one honorary member, making a total of fifty. During the past year they have made good progress, looking to the passage by the legislature of a C. P. A. law; previously, by some misunderstanding, the bill as introduced, was referred to the Committee on Ways and Means, for the reason that it carried expenditures of moneys, though no appropriation was asked for or even thought of. This reference was wrong and some of the legislators so expressed themselves. Heretofore, the petitioners have been given leave to withdraw, but this year the bill was referred to the next legislature, so that in the coming legislature of 1909, the bill will not be considered as new business, but rather, will have a standing before the legislature.

Opposition was not so severe, and taken as whole, we feel very much encouraged that the coming year—1909—will see the Commonwealth of Massachusetts in the line of certified public accountants.

Respectfully submitted,

(Signed) WILLIAM C. NEWELL,
President.

Michigan.

TO THE AMERICAN ASSOCIATION OF PUBLIC ACCOUNTANTS:

TO THE MEMBERS OF THE TWENTY-FIRST MEETING OF THE ASSOCIATION—GREETING:

It is with regret that I am obliged to furnish a proxy for the occasion, but I assure you that the one sent is in this case greater than the sender.

I wish for the association a very pleasant, as well as profitable meeting, which you are sure to have. In the dignity of acquired manhood may accountancy, as represented in its largest organization, take a large forward stride by securing uniformity of action between the various state boards to whom have been committed the task of placing it upon the same level, as a profession, which has been attained by our legal and medical brethren. In my judgment we do not need new organizations, containing only C. P. As. That will come in time as the result of the extension of the idea. What we do need is to unify and correlate the forces we already have so that instead of state standards merely, we shall have a national standard to which we are to be judged. May the best in each state be taken and welded into a working scheme which shall govern all. If that is done it will not be in vain that the youth has arrived at manhood.

Very truly yours,
(Signed) D. W. SPRINGER.

Minnesota Society of Public Accountants.

TO THE BOARD OF TRUSTEES OF THE AMERICAN ASSOCIATION OF PUBLIC ACCOUNTANTS:

The public energies of the Minnesota Society of Public Accountants, during the past year, have been in the direction of the educational side of the profession of accountancy in our State.

At the request of the Department of Economics and Political Science of the University of Minnesota, our Society assumed the responsibility of sixteen lectures given during the period from February to May, 1908.

This effort resulted in the Board of Regents establishing an evening business course at the University, and at the next session of our legislature, it is hoped that with the co-operation of the Society, and the educational and commercial interests of the State, to establish a Department of Commerce in the University in connection with our proposed C. P. A. legislation.

Also, in the City of St. Paul, there has been inaugurated an Institute of Arts and Sciences, and on the invitation of that Institute, our Society has assumed the responsibility of organizing an evening school in accounting. This school will open October 12, 1908.

The legislative work of this Society will be undertaken in the year 1909, and it is hoped at that time, that Minnesota will be able to have a creditable C. P. A. law.

At the request of the Board of Trustees, at their semi-annual meeting, held in New York, April 21, 1908, the matter of certain alleged differences between the Minnesota Society and the Minnesota State Society of Certified Public Accountants was referred to the Committee on Arbitration, and the Minnesota Society, under and by virtue of a unanimously adopted resolution, concurred with the suggestions of the Board of Trustees. Copies of this resolution have been filed with the Secretary of the American Association.

We are glad to report that the Minnesota Society is in a harmonious and prosperous condition, and that the profession of accountancy, as represented by it, is gaining in the respect and confidence of our business public.

Respectfully submitted,
(Signed) HERBERT M. TEMPLE,
President.

Missouri Society of Public Accountants.

TO THE BOARD OF TRUSTEES OF THE AMERICAN ASSOCIATION OF PUBLIC ACCOUNTANTS:

Gentlemen: The Missouri Society has to report a year of increased interest, not only in the local society, but in the affairs of The American Association as well. While the meetings of the past year have not been devoted to the presentation of papers and the discussion of accountancy topics as had been hoped, they have tended to promote better acquaintance and closer fellowship among the members.

At a banquet, held in the spring, it was decided to hold two banquets annually. For one of these it is proposed to invite some prominent Certified Public Accountant to deliver an address, and at the other, which shall be held just after the meeting of The American Association, the delegate will be expected to report the meeting in such a way, that not only the facts of the meeting, but the inspiration of it may be given to the members. It is the ambition of the officers of the Missouri Society that the members of the Society shall be thoroughly informed on the affairs of The American Association, and be ready to assist in furthering every issue which the Association stands for.

There has recently been organized in St. Louis, in the lines of the Schools of Commerce established in the East, "The City College of Law and Finance." It is heartily endorsed and supported by the leading bankers and business men, and is not operated for profit. Great interest is being manifested in the school, and particularly in the course of accountancy, which is in charge of members of the Missouri Society. At a recent banquet, prior to the opening of the college, which was largely attended by financiers, professional, and business men, as well as prospective students, Dr. Conway, President of the Wharton School of Finance, gave the principal address. Every indication is that the college will be a success.

We are not going to say much here about our C. P. A. bill, but do not expect to fail again, when our bill comes before the Legislature, next January.

(Signed) H. T. WESTERMANN,
President.

Society of Certified Public Accountants of the State of New Jersey.

TO THE BOARD OF TRUSTEES OF THE AMERICAN ASSOCIATION OF PUBLIC ACCOUNTANTS:

GENTLEMEN: In making report for New Jersey, I am pleased to say, that during the past year, we have made fair progress.

At the time of the last Convention, we had on our roll, 47 fellows, and 1 associate, while to-day, we number 50 fellows, and 3 associates, making a gain of 3 fellows and 2 associates, which places New Jersey in third place on the roll of the American Association of Public Accountants.

On January 20th, last, we celebrated the 10th anniversary of our organization, and had a dinner to commemorate the occasion.

We were honored that evening with the presence of the president of the American Association, Mr. Elijah W. Sells, who gave us a paper on "Corporations," which was a very able document, and one that has been greatly appreciated by many of you, no doubt, as it was later printed and distributed generally to the members of the profession.

We also had with us, the very able chairman of the 1908 committee,

Mr. Adam A. Ross, Jr., whom it is always a pleasure to meet either socially, or in matters of business. Among others in attendance at the banquet, were many men prominent in affairs in the State of New Jersey, so that with our own members, we had a very pleasant party of fifty.

During the year, there has been no special legislation, affecting the standing of the certified public accountants ,but, we feel that previous leislgation has been strengthened, and the profession more favorably recognized, by the fact that the Governor of our state, in using his appointive prerogative, has named for the proscribed, terms of our C. P. A. law, three commissioners, who were men recommended by members of our profession for the places, and our state board, as at present constituted, consists of Messrs F. G. Du Bois, George Wilkinson, and John E. Cooper.

While we most emphatically resent the recent newspaper statements, emanating from the Bankers' Convention, "that the certified public accountants, constituted a trust or monopoly, because of the prohibitory examinations ,which made it impossible for many to obtain the C. P. A. degree," we do feel that the present State Board of New Jersey, will carefully safeguard the intersts of both the public, who employ us, and those at present legally entitled to the name of certified public accountant.

In this connection, I would like to add, that I am amazed that such a position or view of the C. P. A. movement, should be entertained by any business man and more especially the banker, for he should be the one, above all others, to welcome the safeguarding of everything tending to stregthen him in his position as a "money merchant," and if ever was started a movement, looking to aid the banker and banking interests, it is that of the certified public accountant, and I rejoice to say that I know many bankers who so regard it.

The article referred to, appeared in the Journal of Commerce and Commercial Bulletin of New York, and the members from New Jersey feel that it should have special attention from our press and publicity committee and action by them, in order to counteract any influence that it may have, detrimental to the interests of the accountants.

We congratulate the association on having attained its majority, and now that that point has been reached, we confidently expect greater things in the future than any results of the past, and if six additional states have been added since the last convention, why not twelve before the next?

Respectfully submitted,
(Signed) E. E. Gano,
Vice-President.

New York State Society of Certified Public Accountants.

To the Board of Trustees of The American Association of Public Accountants:

On behalf of the New York State Society of Certified Public Accountants, I have the honor to submit the following report:

Sixteen members have been admitted during the current year, and we have lost by death our esteemed colleague, Thomas P. Ryan, Esq., who passed away December 24, 1907, making our present membership 143 as against 128 a year ago.

Society has held nine meetings during the year, at which addresses

were delivered by Dr. Jos. French Johnson, on "The Financial Situation"; by Maurice L. Muhleman, Esq., on "The Central Bank Plan for Remedying our Monetary Evil"; and by Dr. Frederick A. Cleveland, on "Legislation Proposed to Provide an Elastic Currency."

Upon the recommendation of the Committee on Legislation, the Society took action in opposition to certain bills, then pending at Albany, contemplating the issuance of C. P. A. certificates under a waiver, viz.:

1. An Act permitting the University of the State of New York waive certain examinations.
2. An Act amending an Act to regulate the Profession of Public Accountants.

with the result that the proposed legislation failed to pass.

The Society has devoted a great deal of time to work in connection with legislation, such work including the devising of certain legislative measures which were calculated to bring the profession of certified public accountancy into prominence, to increase its sphere of influence, and to add, where possible, to the profits of the profession in a proper and dignified manner. A large amount of work was, in one sense, missionary work, devoted to acquainting those influential in the State Government, and in the legislature, with the meaning of the term C. P. A., what the profession of certified public accountancy stands for, and what were the qualifications of its members, entitling them to consideration, and making it profitable for the State to employ their services under certain conditions. This work is absolutely indispensable towards procuring the passage of future legislation.

In addition to this work, there has been under consideration more direct legislation than ever before, and independent of the mere passing of bills, the Society has, it is believed, accomplished more by the close of this session than has ever been the case previously. A short resume may be given of the bills which have been considered.

The work of persistently pushing the bill providing that those holding the certificates of Certified Public Accountants should be privileged as to confidential communications made to them by clients in the course of their professional labors, has been energetically carried on. Senator Fuller and Mr. Murphy were induced to introduce the bill in the Senate and Assembly respectively. The bill passed the Assembly Committee and was finally passed upon the floor of the Assembly. Hearings in the Senate Committee have been held, and many members of the committee have expressed themselves generally favorable thereto. However, one or two members of such committee seem opposed to its passage, and on this account, the bill will have to be delayed again until next session. Sooner or later, it is believed this bill will be reported by the committee, and if so, will probably be passed by the Senate and approved by the Governor.

A bill was also introduced in the Senate compelling corporations offering their stock for sale to the public to have certain reports and statements audited and certified by Certified Public Accountants. Hearings have been held upon the bill, and the Society is recognized as the organization standing for the general idea of the bill. It was hardly expected that a bill involving such radical legislation would pass the committee at the first attempt, and it is proposed to introduce a new bill at the coming session embodying the same general idea and purpose, with some modification in details.

The chief purpose has always been to place the society in a position of control and influence wherein its judgment might govern as to all matters affecting the profession. With the work already done, it is be-

lieved there is a good chance that a bill along similar lines may be passed at the next session. In the meantime, additional public support may be obtained, and that, in addition to the large amount already obtained, will give the new bill, it is believed, a favorable opportunity.

The Society for a long time has also advocated the passage of some legislation creating a department of state accounting wherein the profession of certified public accountancy should be in control and should be recognized in a public and important manner, not now the case. It was felt that such would be of the greatest benefit to the society. To that end, the statutes of other States were studied, communications with the comptrollers and auditors, and other officials of such other States were had, everything was done for the purpose of showing the need of this particular legislation, and how it might be brought into play. But, obviously, it is a new step, and involves a great many changes, and, therefore, a great many interests must be reconciled. It is pleasant, however, to report that the interest of the State comptroller, and of the majority leader has been obtained in behalf of the matter, and while this idea will have to be worked up by degrees, yet a first step has been taken by the introduction of bills, with the approval of the state comptroller, providing for the employment of Certified Public Accountants to audit the accounts of state prisons.

Relative to the bill exempting Certified Public Accountants from jury duty, the matter has been discussed with the members and leaders of the legislature, but acting on their advice, it has not been pushed, since the feeling in the legislature is so strong against any further exemptions from such duty that it would only prejudice the committee, against our work, and would therefore be a great detriment. In the future, however, it is hoped that such bill may be introduced successfully, and it is not proposed to drop the matter.

Tentative to another phase of work in which the society was engaged, namely, in connection with proposed amendments to the banking law of the State, efforts were made to have introduced in such amendments provisions providing for the certification by Certified Public Accountants of certain reports of banks. This work has been taken up with the State Superintendent of Banks, and with the leaders of committees. While they have expressed themselves as generally favorable to the idea, yet, for various reasons, it has not been possible at this session to obtain the enactment of these provisions. This is largely because of the number of matters which had to be provided for and were considered of more pressing need. However, it is hoped to accomplish something in that line at the next session, when the pressure will be somewhat diminished, and further changes may be suggested.

As to the effort reported to have been made by several persons relative to changes in the Regents rules respecting enlargement of the means of obtaining the certificates of Certified Public Accountant, which seems to be entirely harmful to the interests of the profession, and dangerous to an extreme degree, and to which the members of the society were thoroughly opposed, a good deal of pain was taken to investigate and ascertain the facts in connection with the matter. It is probable that largely because of the activity of the society, the attempt to introduce such changes was abandoned, and no bill was finally introduced in that connection. Should such bill be introduced later, it is believed that it certainly would be defeated.

Relative to general work in keeping track of legislation the society has authorized its representatives to arrange for all bills to be sent to him when introduced, and during the past year a very large number of such bills were inspected. From these were selected any which might have any bearing upon the interests of the society and of the profession, and

such bills were followed up in Albany whenever necessary or possible. In connection with this considerably over fifteen hundred bills have been received and inspected. This seems the only effective way of keeping track of all legislation introduced, and has produced satisfactory results in keeping the society informed of the trend of events at the Capitol.

Respectfully submitted,

(Signed) J. R. LOOMIS,

President.

The Ohio State Society of Public Accountants.

TO THE BOARD OF TRUSTEES OF THE AMERICAN ASSOCIATION OF PUBLIC ACCOUNTANTS:

Greeting: The past year in the history of the Ohio State Society has been the most eventful one since its organization.

Only those members of our sister state societies who have had the grievous and patience-trying experience of attempting to educate an indifferent, if not reluctant, state legislature into a belief in the wisdom and necessity for proper C. P. A. legislation, can appreciate our elation, when, after years of effort, the Ohio State Legislature finally enacted into a law our bill "to establish an Ohio State Board of Accountancy for the regulation of the practice of the profession of public accounting."

The thoroughness of our successful—if somewhat lengthy—educational campaign is testified to by the fact that our bill finally passed with but one dissenting vote in each branch of the legislature, which circumstance detracted, not from our satisfaction, and made us recompense for many sleepless nights and hurry calls to Columbus.

Upon the unanimous recommendation of the Ohio State Society, the Governor appointed as the first members of the Ohio State Board of Accountancy our estimable fellow members and friends of everything that makes for a high standard, and the dignity of our profession. Fellows J. S. M. Goodloe, Guy H. Kennedy, and J. H. Kaufman.

In some respects our Ohio law is an advance step in C. P. A. legislation and certain of its provisions are broader, and more far-reaching than is contained in the law of any state hitherto enacted. In consequence the "job" of being a member of the Ohio State Board is not a delectable one to him of kindly disposition, who dislikes to offend or inflict grief on his fellows.

Fortunately, the members of the Ohio State Board of Accountancy are possessed of those Spartan virtues that may best be described by attributing to them the rigorous faculty of being able to "hew straight to the line and let the chips fall where they may." In fact, some of their friends make the criticism that in their effort to stand perfectly straight they sometimes lean over backwards.

Those of you who have been "through the mill" can probably appreciate the problems that confront the Board, especially those incident to the omnipresent, and apparently necessary "waiver clause" in this type of legislation.

The onslaught upon them by that constituency which appears to be possessed of the theory that the essence of the Act is the "twenty-five per," and many of whom fit Fra Elbertus' satirical definition of an expert accountant—"A bookkeeper out of a job"—is in the current vernacular something fierce.

Then too, this profession of ours has grown more rapidly than has our code of ethics; likewise has it been recruited from the ranks of those

not quite able to square their preliminary educational qualifications with the severity of the legal requirements. And in this connection, I might also comment on the fact that many accountants of other states seem to have the impression that the Ohio C. P. A. law was passed for their especial benefit, and that they can get through under the waiver clause in Ohio, when they could not do so in their own State.

One very marked illustration of the idea that the Ohio Board will pass anybody on a "rain-check" was from a New York applicant who was asked why he did not apply for a certificate in the State in which he was a resident. His answer was that New York required a preliminary education equivalent, under the university standard, to forty-eight academic counts, and that he only had three such counts, and he hoped that the Ohio Board would consider this sufficient, and make a special exception in his case. The three academic counts, to which he referred, would not be sufficient to pass him into a high school, let alone being the equivalent of a high school graduate.

The Ohio State Board of Accountancy has refused, and will refuse to consider the applications of persons for the Ohio C. P. A. certificate, who are residents of another C. P. A. State, unless they have received a similar degree from their own State and whose standards and requirements for a certificate as a Certified Public Accountant are substantially equivalent to those established in Ohio.

I can only report further that the Ohio State Society of Public Accountants is prospering, and has sent as delegates to the meeting of the American Association, Messrs. Goodloe, Kauffman, and Kennedy, who will in person further report to you the progress made by the Society, its trials and problems and successes.

I want to express to you my personal regret at my inability to meet with you this year, and I trust that your meeting may be most enjoyable, profitable and successful.

With best wishes of the Ohio State Society of Public Accountants, I have the honor to be,

Yours very truly,
(Signed) CARL H. NAU,
President.

Tennessee Society of Public Accountants, (Incorporated.)

October 17, 1908.

TO THE BOARD OF TRUSTEES OF THE AMERICAN ASSOCIATION OF PUBLIC ACCOUNTANTS:

GENTLEMEN: On behalf of the Tennessee Society of Public Accountants, I have the honor to submit the following report:

We have had several meetings of our Society during the past year and have taken into membership seven fellows and five associates, and are making preparations to do some effective work before our legislature, which convenes at Nashville, Tennessee, January 1, 1909.

At the previous meeting of our legislature we failed in passing an accountancy bill as a number of persons practicing as accountants in the state sent reprsentatives to our capital to defeat legislation, but we believe that we will succeed this time, but we are not willing to be too sanguine; it is our purpose to have the bill prepared and arrange for some one to present it in the house and the senate simultaneously at the beginning of the Session.

The practicing accountants who opposed us in our efforts to pass an

accountancy bill in the last legislature were not members of our society, and their opposition showed a jealousy. In order to overcome this spirit amongst the accountants of our state, who were ineligible as fellows in our society; we have reframed our by-laws along the lines of the best other state societies and in conformity with the by-laws of the American Association. By the terms of our new by-laws we admit fellows, who have practiced public accounting for three years in our State ,and associates who have practiced a less period.

We had quite a number of additions to our membership under the new by-laws, and we feel that there was wisdom in the change and hope the ultimate result will be the entire elimination of jealousy amongst the accountants of this state.

In order to advise the accountants of this state of the conditions of our by-laws ,our society passed a resolution authorizing the printing, in pamphlet form, our by-laws for free distribution amongst the accountants of this state, thereby informing them of our society, its purposes, objects, and rules, realizing that the fuller publicity that is given to the profession at large of our efforts, better it will be for our mutual benefit, and the benefit that we expect to derive from the co-operation of the profession in our efforts to pass in our next legislature a general accountancy bill.

Respectfully submitted,
(Signed) EDWARD S. ELLIOTT,
President.

The annual meeting of the American Association Golf Club was held at the Country Club of Atlantic City on Friday, October 23rd, and the following officers were elected, viz.:

President, COL. FRANKLIN ALLEN of New York.
Vice-President, MR. LEON O. FISHER of New York.
Secretary and Treasurer, MR. EDWIN E. GANO of New Jersey.

The following were the winners in the Golf Tournament over the course of the Country Club of Atlantic City, viz.:

For the Lowest Gross Score by a Guest, Loving Cup presented by the Club:

MR. WILLIAM GREENHILL of Scotland.

For the Lowest Gross Score by a Lady, Loving Cup presented by Col. Franklin Allen of New York:

MRS. LEONARD H. CONANT of New Jersey.

For the Lowest Gross Score by a Member, Loving Cup presented by The Society of Certified Public Accountants of New Jersey:

MR. EDWIN E. GANO of New Jersey.

For the Lowest Net Score by a Member, Loving Cup presented by the Pennsylvania Institute of Certified Public Accountants:

MR. HARVEY S. CHASE of Massachusetts.

NEW YORK CITY, January 6th, 1909.

Annual Banquet.

The Annual Banquet was held in the Banquet Hall of the Marlborough-Blenheim Hotel, on Thursday evening, October 22, 1908. Covers were laid for two hundred. Robert H. Montgomery, Esq., C. P. A., of Pennsylvania, presided as Toastmaster. The following responses were delivered:

The American Association of Public Accountants.

By Thos. Cullen Roberts, C.P.A.,

Secretary of the Association.

It may be said that the American Association of Public Accountants is of Anglo-American origin. Its birthplace was the office of a firm of English Chartered Accountants, 120 Broadway, New York City, the business place of Messrs. Barrow, Wade, Guthrie & Co., whose representative we should have been glad to welcome here to-day.

The names of those present deserve immortalizing—they are John Heins of Philadelphia, W. H. Veysey, Thomas Bagot, Louis M. Bergtheil, Mark C. Mirick, E. H. Sewell, Walter H. Veysey, James Yalden, and Col. Tyler, all of New York.

The first meeting recorded was on Friday, December 2, 1887. The certificate of incorporation is dated August 20, 1887, so the Association comes of age this year.

Its aims were high. The objects as set forth in the certificate of incorporation were "to associate into a society or guild for their mutual benefit and advantage, the best and most capable public accountants practising in the United States, and through such Association to elevate the profession of public accountancy as a whole, and to promote the efficiency and usefulness of such society by compelling the observance of strict rules of conduct as a condition of membership, and by establishing a high standard of professional attainments through general education and knowledge."

The living and the dead are brought very close together—with the birth of the Association is recorded at the first meeting of its members, the death of Mr. Robert L. Fabian, who was president of the Council of Incorporators, and, glancing at the names of the incorporators, those pioneers of the accountancy profession in the United States, viz.: Messrs. James Yalden, John Heins, Mark C. Mirick, C. H. W. Sibley, Robert Fabian, William Calhoun, and Rodney McLaughlin, it is somewhat saddening to reflect that not one of them is among us to-day.

The entrance fee in those days was $100 and the annual certificate fee $25. It is now $25 for entrance fee as a fellow at large, and $10 for

annual certificate fee. For state societies no entrance fee is charged and only $5 for annual fees.

The Association began well. There were an abundance of promises for membership. Twenty-six had promised then and six were "thinking" of it. At the next meeting, the enthusiasm of two had abated, and their resignations were accepted. The first regularly appointed sceretary of the Association was Mr. James T. Anyon. This appointment dated from March 6, 1888, and was an honorary one, but he was empowered to appoint an assistant secretary at such remuneration as might be fixed by the Finance Committee.

On April 3, 1888, our highly esteemed friend, and past president of the Association, Richard F. Stevens, was admitted to membership, and, on the same occasion, a standing committee on membership was appointed consisting of the president, vice-president, and three members of the council (who were then what the Board of Trustees is to-day), and who were to report upon the applications before submitting them to the council. Accountants did not fall over each other in those days in their hurry to join the Association. So in December, 1888, a committee was appointed to consider the best means and methods to enlarge the scope and objects of the Association, and increase the membership, and to consider the question of initiation fee and annual subscription. Later on, the committee which was appointed, were instructed to continue their labors; and the first annual meeting of the members was appointed to be held on May 15, 1889. At this first annual meeting, the president reported that there were but 25 fellows and 7 associates, and from the balance sheet which was submitted, and signed "E. and O. E." (Scientific accuracy in accounting was evidently not at its zenith in those days), it appeared that eighteen members were in arrears with the payment of their dues, amounting to $820. The president in his remarks said, "The final success and universal recognition by the commercial and investing citizens of the advantages of our services, can only be developed slowly by care and prudence in the management of its affairs, and by unanimity of feeling towards those engaged in the profession."

One more quotation from this report, and I am through with the first year: "On all sides and in all directions we hear of the advantages of accountancy, and it is universally admitted that our services are needed, and are necessary and requisite, but how much more so will they be if it can be demonstrated that we are in existence, and associated together with unanimity and harmony working to effect the highest proficiency in our business for the benefit of those employing us, and bound down by our Association in strict rules of conduct, insuring faithful and efficient work to our respective clients and the public generally."

At the end of the second year, the "Council" became a "Board of Trustees." Later on, efforts were made to obtain a charter, and Mr. Henry R. M. Cook was empowered to call upon the Regents at Albany to confer with them on that question. A little later there was a proposal to establish a "College of Accounts" with degree-conferring powers.

The result of an interview with the Regents at Albany was that the Regents were not prepared to endorse the whole proposal of the Association—they were ready to open examinations for such persons as desired to become public accountants. This was regarded as encouraging, and the belief was expressed that the Board of Regents was alive to the fact that the profession was one of great importance to the business community, and the study of it should be incorporated as a portion of the educational systems of the state the same as law and medicine.

At the meeting on November 10, 1892, Mr. Cook remarked, that the Association was, he thought, endeavoring to oblige the public to recognize and uphold an institution somewhat un-American in its nature, and unadapted to meet the requirements of this state and country for the reason, that its lines were similar to those adopted by our brethren across the water (The Institute of Chartered Accountants in England and Wales), which although we might recognize their usefulness, could not be carried out in the same manner here, for the reason of the dissimilarity between the laws of the two countries, and therefore, he thought it would be better to abandon them and for us to become originators, rather than remain unsuccessful copyists.

It was found impracticable to form a "College of Accounts" unless there should be provided an endowment of $500,000, but the Association was congratulated upon having the honor of inaugurating and placing upon a proper basis, the profession of Public Accountant.

At the annual meeting, January 17, 1893, the then president, the late James Yalden, said: "Since we last met, the Board of Regents at Albany have forwarded to us a charter for the incorporation of the New York School of Accounts. The objects of the school were to educate young men for the profession of accountancy, and also in the principles of commercial life." This school of accounts started with a full line of professors, and an elaborate curriculum, but its success was ephemeral, for we find recorded on the minute book of July 11, 1894, "RESOLUTION: That in the opinion of the Faculty it is undesirable to continue the School of Accounts and they recommend that the Trustees take such action as they may decide upon to surrender the charter to the Board of Regents or otherwise. At a meeting on September 5, 1894, Mr. Richard Stevens, the then president of the Association, is recorded as saying: "A year has passed since the inception of the School of Accounts, and what has been accomplished? A class of seven pupils have gone through the year's course—that is all. Not a business man has come forward to aid us in any way, the whole burden has fallen on the shoulders of a few of our members, now disheartened and disillusioned. The Board of Regents of the university have stood silent and aloof, not a word has been said about commissioning or licensing our members, and communications addressed to them on the subject of legalizing the profession by legislative enactment have remained unanswered. The members under this state of affairs naturally, have ceased to take an interest in the school, the professors have resigned or been slack in their attendance, the scholars supine and the further con-

tinuance of the school in its present status seems idle." Mr. Stevens concluded by saying: "If we can induce the gentlemen having control of either of our great universities, Columbia, or the College of New York to receive our little school under its fostering wing, we will, I think, be on the right road to success, and bring up our profession to the true plane where it should belong, and that would 'ere long give to the world a class of educated, scholary men, who would reflect honor upon any profession."

How right Mr. Stevens was in saying this, the report of the Committee on Education bears witness.

In the month of February, 1895, Mr. Francis Gottsberger, a member of the Board of Trustees, laid upon the table a draft of a bill to license public accountants, and, at that meeting, a resolution was adopted that a special committee of three be appointed by the Chair to confer with the Bankers' Association with a view to promote the mutual interest of the respective associations. This bill failed to pass. Although we were disappointed, we were not discouraged, and another bill was introduced "To regulate the profession of public accountants," which bill is now known familiarly as the "C. P. A. Act." This bill passed the third reading in the Assembly, 120 votes to one, and in the Senate, unanimously, and was signed by the governor on April 18, 1896.

On April 22, 1896, a resolution is recorded "That a vote of thanks be tendered to Vice-President Broaker on his untiring and successful efforts by which the accountants' bill of recognition was in a good measure due, which passed the New York Legislature, and having been approved by the Governor has now become one of the Statute Laws of the State of New York."

All honor to our old friend, Francis Gottsberger for his inception of the act—all honor to our old friend, Frank Broaker, for the glory of the achievement in fighting and winning in obtaining for the United States the first Certified Public Accountant Law and of whose certificates he may well glory in possessing No. 1.

With legal recognition, the profession recognized the necessity of belonging to an association which was largely composed of professional or certified public accountants. Other states, seeing its importance fell into line and agitated and fought until they also obtained legal recognition. These State Societies at one time formed themselves into a federated body, but, in the year 1905, the whole of this federated body joined the American Association of Public Accountants, which now numbers in all, some 800 members, with twenty State Societies in full accord. (Please remember that at the close of the first year there were but thirty-two members.

I am afraid I have been somewhat tedious in telling you these things, but it has been to me, and many of the older members, a great joy to see the Association grow, and to know its usefulness is extending. It is a happiness also to state that all members work together in perfect harmony.

During the thirteen years it has been my pleasure to be your secretary, never on any occasion have I heard of trouble or want of harmony in committee. I can not speak too highly of that great and good man, our

esteemed, immediate past president, Mr. E. W. Sells, who has ever been mindful of the interests of the Association, and under whose two-years' presidency the Association has advanced by leaps and bounds to its present high position.

Mr. James G. Cannon:

I feel very much at home in this presence this evening, as I have framed in my library a certificate, dated in the year 1890, showing my membership in the old Institute of Accounts of New York City, and the certificate further states that I am a cerified accountant of the Institute of Accounts of New York. Consequently, I feel that I am not among strangers or in a strange land when I appear before you to say something on the subject of "The Relation of the Banker to the Public Accountant."

I have always been deeply interested in the subject of accountancy, and I assisted, as far as possible, the gentlemen who, in 1896, procured the passage of the law in the State of New York, "To Regulate the Profession of Public Accountants." In March, 1905, in an address at Atlantic City, before the New Jersey State Bankers' Association, I urged the bankers of this country to establish the custom of requiring statements of the financial condition of borrowers to bear the certificate of a certified Public Accountant, and in the same year I secured the adoption by the New York State Bankers' Association of a new form of property statement blank, in which the borrower is asked the question, "Have the books been audited by a Certified Public Accountant? . . . If so, name and date of audit."

I have watched with a great deal of interest the passage of the certified public accountant laws in the various states of the Union, and assisted their passage where it has been in my power to do so. Therefore, I hope that you will bear with me, and remember that I am speaking as a friend of the Certified Public Accountant, when I present some thoughts in connection with this matter, which may seem in a spirit of criticism.

During the ten years that the certified public accountant law has been in existence in New York State,, 617 candidates hav presented themselves for the examination under the law, and 409 of them have been rejected. In other words, about 66⅔ per cent. of the men who desired to enter this profession during the first ten years of the law, failed to pass the examination. The total number of certificates issued up to and including June, 1907, by examination was 208, by waiver, 177, making a total of 385. Of this number, 54 were junior certificates, so-called, leaving the total number of full Certified Public Accountant certificates issued in the State of New York for the first ten years 331, of which 177 were given by waiver, leaving 154 certificates as the result of the new law.

This, I believe to be a very unsatisfactory condition of affairs, especially so if the bankers and business men of the great State of New York are to depend more and more upon the work of Certified Public Accountants, as the addition to this profession of only fifteen a year enables

a few men to retain almost a monopoly of this business, which, to my mind is not proper. There is certainly some reason for this situation, and I have made a careful examination into several points, I find that for the first ten years the members composing the Boards of Examination for Certified Public Accountants of the State of New York, with two exceptions have all received the degree of Certified Public Accountant under the waiver, and of the fourteen men who have composed this Board, one man has served for seven years, one man for five years, two men for four years, four men for two years, and six men for one year each.

A further study of those who were rejected shows that a large proportion of the rejections came through the topic of "Practical Accounting," 91 per cent. of the men presenting themselves in 1907 having failed on this topic, and an examination of some of the questions asked under this heading would make it appear as if they were purposely made so difficult that candidates would not pass. I noticed one question in particular where the candidates were asked to prepare an "Articulation" statement. This designation of a statement is not one of general use, and is probably a term applied by a particular accountant who had a share in the preparation of this problem. I made a careful examination of many of the other problems which the students have been called upon to answer, and they certainly are not clear and concise, and I believe that it would be practically impossible for one-half of the men holding certificates under the waiver to answer them satisfactorily. The examiners seem to have confined themselves to special problems which have arisen in their own line of business, which it is unreasonable to expect students to answer in a given length of time, and are, consequently, of little or no value in a general examination. What is wanted in New York State, I believe, is a far more comprehensive system of examinations for the degree of Certified Public Accountant. There seem to have been altogether too many technical questions asked of the applicants for the degree, and many of these questions do not involve a real knowledge of accounting. It is this class of examinations which will produce Certified Public Accountants who will only scratch the surface of things.

Examinations are required, and properly so, in all of the twelve states having State laws on this subject, and Accountancy Boards, but the time has arrived when this whole question should receive the attention which it deserves, and the accounting profession, instead of spending further time on the securing of Certified Public Accountant laws throughout the country, should give their best efforts to the training of candidates for the degree.

As far as practical experience is concerned, three states, Colorado, New York, and Pennsylvania, are the only ones that require a period of time of practical experience, and I believe that the regulation in New York with regard to practical experience should be changed. Pennsylvania rules provide for two examinations, a preliminary and a final, and the registration in the office of a certified public accountant, *or any recognized school of accounting*, where the applicant can make preparation for

his final examination. This is much better than the present rule of New York, where the applicant must spend one year in the office of a Certified Public Accountant before receiving his degree. I think this is a hardship to many men, and keeps good men from securing their degree.

Of the junior certificate issued in New York State in the last ten years, seven only were issued to men who were under the age limit, and from a careful examination of the time of these certificates, nearly all of these men would be entitled now to full certificates were it not for the fact that they are compelled to take a year in th office of some Certified Public Accountant, which in many instances it is impossible for them to do.

I am calling the attention of the gentlemen of this profession present this evening to these few facts because it appears to some of us who are anxious to use the Certified Public Accountant more and more, that the profession savors more of monopoly than it should, and the whole subject should be carefully brought before the Regents of the State of New York, and many changes made in the method of procedure and examinations, if the profession of accountancy is to take the place it deserves and secure the confidence of the business and of the banking community.

The bankers need your assistance in all directions, and the benefits to be derived from an examination of business concerns by a Certified Public Accountant is of inestimable value to both, and when a statement of a concern's assets and liabilities is presented to the banker, he gives it an added confidence from a knowledge that the statement has a true foundation. This confidence might exist even though such an examination was not made by a Certified Public Accountant, but granted that it is made by an accountant selected by the banker, there is no question that his confidence in the statement is increased.

There is the further satisfaction to him of knowing that it is properly made and compiled, and that it is produced from books of account, capable of bearing out the condition submitted. But in recommending the accountant we must know not that he is simply a man who is capable of transcribing the books of a concern, but that he can grasp all the surrounding situations as related to the profit and loss account and other essentials which come from his examination of the results of trading, and whether the items of plant, accounts receivable, and merchandise are taken at their true value. We must have *more* thoroughly qualified Certified Public Accountants, who can give this added knowledge of the situation of firms and corporations, and the business should not be held in the hands of a few.

If we are to recommend that statements of borrowers from banks should have a certificate of a Certified Public Accountant, we must have plenty of broad-minded, energetic men in the profession, and these men must make themselves attractive to those requiring banking accommodations, so that other benefits may accrue to the borrower entirely apart from the improvement in his financial standing.

A properly qualified public accountant should not only be familiar with the requirements as relating to the bookkeeping of a concern, but from coming in contact with all kinds and classes of men and businesses, he unquestionably acquires a most varied experience, and should be in a position to counsel not only as to how the books should be kept, but as to many other requirements in a properly equipped business. Contact, therefore, with a Certified Public Accountant of the kind I am trying to describe, is frequently of inestimable benefit to the business man. I have known of instances where suggestions have been made by Certified Public Accountants which have resulted in saving many firms from disaster. I have reached the conclusion that many failures have occurred because, through ignorance, the management was kept in the dark as to the true conditions, until too late to rectify them.

A large part of the value, however, to the banker, of an independent investigation by a certified public accountant must be a belief in the honesty and capacity of the accountant, and that is why I prefer an examination to be made by an individual accountant whom you can hold personally responsible, rather than by a corporation.

I am very anxious that the profession of the certified public accountant should be placed upon a broader and firmer basis, for it is my conviction that more and more statements submitted to bankers for the purpose of procuring credit, will be subject to confirmation by a Certified Public Accountant, and this will be of inestimable value, not only to the banker, but to the honest borrower, by the elimination of the dishonest and disreputable, by decreasing the margin of loss to the banker, also resulting in a decrease of interest charges to the borrower.

It is not many years since it would have been considered strange to ask for a signed statement of assets and liabilities from borrowers, but this condition has now practically passed away, and no one now feels hurt at being asked to make such a statement. With the immense increase of the business interests of this country, it becomes more and more difficult for bankers and other creditors to have the close and intimate knowledge of borrowers which formerly existed, and from this increased business there is naturally an increase in the amount of commercial paper outstanding, and I believe that the advantages of an examination by a Certified Public Accountant, and a certficate of the assets and liabilities properly authenticated, will be of great benefit to both the borrower and the lender due to the increased confidence which they will have in each other.

I am aware that the Certified Public Accountant law is only ten years old, but it has been in operation long enough for its friends to see its defects and point them out for remedy, and if the profession is going to enlarge its scope of usefulness and broaden its activities, it must eliminate some of the errors of the past, and bring to bear upon its problems more practical common sense.

There is plenty of business for good Certified Public Accountants who will not drag out a day's work to an unlimited time on the books of a

concern, but will do their business with vigor and dispatch, and handle their affairs with a broad vision.

We want first class men, we want them well trained in the profession, but I do not believe the present methods are reaching that end. They are deterring many young men from entering the profession, and I come here to-night as a friend and well-wisher to sound a note of warning and ask that this American Association of Public Accountants give this matter their best consideration. If you will do this you will have performed a great act of service to the Certified Public Accountant.

The Institute of Chartered Accountants in England and Wales.

By John B. Ball, F.C.A.

President of the Institute.

One of the considerations which induced me to accept the kindly invitation of this association was the delightful sense of irresponsibility with which I felt that I could come over here, knowing that my very good friend, Mr. William Plender, one of the most able and eminent members of our council was appointed officially by our Institute to represent it here, but it has, however also fallen to my lot to say a few words to you. I am afraid you will say that I am not one of those splendid talkers that our Toastmaster has referred to, but I will do my best to say a few words in relation to this matter.

I listened with great interest to Mr. T. Cullen Roberts when he gave the story of the difficulties that the association had met with in the past and I noticed that he referred to the fact that the initiation of this institution took place on a Friday. He said very quietly "Unlucky day." Perhaps is was not heard generally but it was heard at this table. This recalls to me a personal matter with regard to my start in business. I started in business, ladies and gentlemen, on the first of April, in the year 1870. I won't say that that had a bad influence on my career for I have had the great pleasure and honor of arriving at a most important position—being for this year the president of our great Institute of Chartered Accountants in England and Wales. (Applause.) Mr. Roberts' recital caused me to recall a little incident that happened a year or two ago when I was traveling to Clapham Junction on an omnibus. The top of the omnibus was covered with a large number of football gentlemen who had been defeated in a match. Much to my astonishment they all burst out in one tremendous shout, "Are we disheartened?" To which they all replied: "NO!"

This seems to me to be exactly what happened to you in your association, you were not disheartened by the many difficulties which occurred but you have continued on the road to success.

Now, to turn to the exceedingly able and interesting address by Mr. Cannon, speaking as a banker. His remarks with regard to your examination will no doubt be taken to heart by you but I may say, as an examiner of our Institute of some years standing,—I perhaps fell into somewhat the same kind of pit into which Mr. Cannon says some of you examiners here have fallen. I thought it was the proper thing to do to put difficult questions but after a good deal of experience I have come to the conclusion that the kind of questions that are proper and desirable for the student are what are called "bread and cheese" questions that apply generally and not to any particular branch.

I listened, too, with great interest to Mr. Cannon's statement with regard to the "Articulation Statement." I must say that I have never come across such a statement, and it does not appeal to me as being a common order of statement at any rate.

To come to more personal grounds, I have the honor to be a nephew of Mr. John Ball of London, who was one of the initiators of the first institute of accountants in London, which afterwards, in 1880, obtained a charter and has now grown into a very important body. I was named for him, and upon reading the book which no doubt is well known to you all—"The Autocrat of the Breakfast Table," by Oliver Wendell Holmes, I found reference to a young fellow named John. I am not that *young* fellow now, but I am that old fellow called "John," but I still hope to have many years of usefulness before me. I am very much encouraged by that hope in having sat next to Mr. Vollum the other day at the delightful luncheon for he confidently expressed the hope that he would live to be 110. I do not know that I can go quite so far as that, but I shall hope to get near it.

Now the matter with which I will close is to say: How delightful the experience has been of my visit here. I know of course that any importance that I may possess is as a representative of our Institute, but the personal friendship and attention which I have received here,—beginning with your President's appearance on that purgatorial wharf where one's luggage is so carefully examined when one arrives here,—and coming on down through the whole of this delightful meeting. For the pleasure I have experienced and the kindness and friendships I have found here, I can hardly express sufficiently my thanks.

The Society of Incorporated Accountants and Auditors.

By Harry Lloyd Price, F.S.A.A.,
President of the Society.

The little I may have to say to you to-night will not concern itself with accountancy, whatever other subjects it may touch upon. Indeed, I should have been perfectly content,—and I should have eaten my dinner

with a considerably increased degree of comfort, if you had been willing to accept the reply of Mr. Ball as including also mine. I am rather in the position of the nervous bridegroom who was called upon somewhat unexpectedly to respond to the toast of his wife's health, and who, upon rising with trembling knees and a tear in his voice, as he rested his hand upon his new wife's shoulder, said: "My dear friends I desire you to understand that this thing has been thrust upon me." (Vigorous applause.)

It becomes increasingly difficult in making speech after speech to know precisely what to say. I resemble a man who attended at a music hall and approached the manager for an appointment. The manager said: "What is your particular specialty?" He said: "I am a prize giant." "But, good heavens" said the manager, "you are only 5 feet 4!" "That is just it, I am the smallest giant in the world." (Applause.)

Well, let me in a word thank you for your glorious hospitality, and if it is not flat heresy to parody so noble a poet as Robert Burns. I would like to quote a quatrain which he inscribed with his ring upon the window of a Highland home, altering one word only:

"When death's dark stream I ferry o'er,
A time that surely shall come;
In heav'n itself I'll ask no more
Than just an American welcome."

(Vigorous applause.)

When Rudyard Kipling penned that memorable statement of his:

"For East is East,
And West is West,
And never the twain shall meet"

he had evidently left out of his calculations the American Association of Accountants. He had forgotten their capacity for achieving the impossible. (Applause.) The twain *have* met and the result of that meeting we have seen, as we have just heard from Mr. Ball in the friendships and attachments which have been formed, which friendships we hope and think and believe will find their place and echo in the lives of our children and our children's children, when those here present have passed through that door which is always open.

As I came across the Atlantic upon the steamer "Celtic" (when I had the extreme pleasure of the company of Mr. and Mrs. Ball and their daughter), I was upon one occasion an unwilling listener—an eavesdropper if you will—to a conversation which took place between two American gentlemen. It was not the mere irresponsible chatter of the smoking room. They were engaged in a discussion of international relations, and to my amazement I heard the statement of one to the other: "Yes, but—you know right at the bottom of their hearts the Britishers hate us Americans." I communicated the statement to a very charming American lady who was my near neighbor at dinner that evening and to my amazement she said: "Well, you know, that broadly voices the belief of a good many of our American men."

Ladies and gentlemen I wish I could roll up the walls of this room like a scroll, and projecting my voice from sea to sea, could give the lie to a statement such as that. (Vigorous applause.) It is the grossest and gravest travesty of the fact. There is not a shadow of truth in it. I admit, of course, that we English are a reserved notion, but a good deal of that reserve arises from our very insularity and I do assure you that with us the springs of human action are the same as with yourselves. (Applause.) A young fellow who was engaged to be married and who was not quite persona grata to the family of his fiance conceived the notion of bribing the young brother of his sweetheart, and being at the house one day he endeavored to get some information from the boy. He said: "Do you think Fannie cares for me?" The youngster replied: "I am sure she does." "How do you know?" "From what Fannie says when Pa gets on your track." "What does he say?" "Why, the other night he said, 'Fannie, that man of yours is an ass,'" and says she —"Father, I don't think it is fair to judge a man by his looks." (Laughter and applause.)

I desire here and now to sound a clear note of brotherhood, both personally and professionally. You are bound to us and we are bound to you by a thousand ties of race and of blood. (Applause.)

A man in my town went to canvass a political voter. The lady of the house was standing at the door, and when asked for her husband said: "You will find my husband in the back garden." Upon going into the garden he only found a Chinaman digging so he turned about and came out. The lady asked him—"Did you find my husband?" He said: "Yes, but I did not expect to find a Chinaman." She said: "What of that—I once had a sister who married a Scotchman." (Applause and laughter.)

Well, you know, in a somewhat different way we have each given hostages to the other, so we are here to-night to wish you joy in your progress and to wish you Godspeed in the work in which you are engaged. For to us in the East the history and growth of this great nation is almost as romantic as it has been phenomenal for those early days when Columbus with intrepid and adventurous spirit set his prow westward furrowing unknown seas and rendering possible the establishment of a great nation such as this, until now when I imagine from every river, creek and inlet on your 10,000 miles of coast—I do not know whether it is that or more—your rich argosies put out upon every sea, beaten by every storm, and blown upon by all the winds of God. Hateful to you? Hateful of you? Nay, for we sometimes stand a-tiptoe as we tell that you are a branch from our tree which has grown only larger than the parent stem.

From everybody—and everywhere—during our stay among you, we have received nothing but the most unbounded kindness and a hospitality which has been almost regal, and I might say with Shakespeare that "Gentlemen in England, now abed, will deem themselves accursed they are not here."

I can not sit down, nor close what are after all but a few disjointed remarks, without putting on record in some form the deep sense of obligation which we feel to the American ladies, who, with their husbands have conspired to make our stay here one long round of pleasure and delight. (Applause.) It is difficult to find due phrase in which to characterize all their virtues, but they are sweet enough and charming enough to be English women (applause), and from an Englishman you can not ask any higher praise than that.

Ladies and gentlemen, we came to you somewhat hesitatingly, tentatively, wonderingly. We leave you on the morrow with feelings of sincerest regret, and with hearts filled with the deepest gratitude, and if we had not learned any other lesson whilst we have been amongst you, at least we have learned this—that the great American nation,—despite all its faults and mistakes, political and social—and no nation on earth is without them—still exhibits one of the best types of high civilization and freedom which the genius of man has been able to conceive since the foundation of the world. (Applause.)

The Scottish Societies.

By Richard Brown, C.A,

Secretary of the Society of Accountants in Edinburgh.

I wish to say as one of the representatives of the Scottish societies, that we have found it very hard to live up to the high standard of character and endurance which you have assigned to us. I feel disposed to quote the observation which was made by a caddy—as we call the man who carries the golf clubs—to an English visitor who was playing golf on one of our Scottish links, and at nearly every stroke was making large furrows on the face of the turf. This went beyond the patience of the caddy and he said: "Oh, mon! ha' mercy on puir auld Scotland!"

The overwhelming provision that you have made for our entertainment, both grave and gay, calls forth from us a remark like that. When we two days ago were honored with the special attendance of a piper in full Highland dress, and when he went around the table playing "The Campbells are Coming," the secretary of the New York Society marching behind, I assure you that we four Scottish representatives were on the point of jumping up and dancing the reel of Hoolichan on the banquet table. We began to feel sorry that we had omitted to pack our kilts in our portmanteau when we left home. We expect that after we have gone away many of you will be expressing dissappointment that you were able to see so little of us. (Laughter and applause.)

Ladies and gentlemen, I feel sorry to introduce any note of disappointment with regard to the proceedings which have taken place since we came here, but as an honest Scotchman, having a conscience

(laughter) I can not refrain from mentioning that the invitations which were sent to us in Scotland, drawn in the most alluring terms by Mr. Wilkinson, included an entertainment which we have not yet received. It was, I think, speaking for myself and other reprsentatives from Scotland, amongst all the other allurements, the one which attracted us most. It was called "A Clam Bake on the Beach." Not one of us had the least idea what a clam bake on the beach could be, and with the usual curiosity of the human race, and especially Scotchmen, we were very anxious to experience this form of entertainment, but to our extreme regret, so far as we know, we have not had a clam bake on the beach. Of course, I want to be honest, as all Scotchmen are, and having made a little inquiry I am rather given to understand that a banquet such as this and a clam bake on the beach carried out on the same day, and near the same time would be even more than a Scotchman could stand, and therefore we suppose that probably the reason we have not had the clam bake was because you had mercy on "puir auld Scotland" and the other guests that you have here. A game of golf, is, I believe, a more healthful and invigorating amusement, and we have had that, which we have enjoyed very much.

Now, talking of golf, I am glad to know that the American Association of Accountants has kept up the traditional association of the profession of accountant with the game of golf.

Away back in the 18th century there was an eminent accountant in Edinburgh by name of James Balfour who in addition to being a good accountant was a distinguished golfer, and so much was he esteemed by his golfing friends that the Honorable Company of Edinburgh Golfers, which is one of the oldest existing golf clubs, had his portrait painted and presented, and it still exists. It was painted by Sir Henry Raeburn. It cost £31 10s., and now I am sure it is worth four or five thousand pounds. He is shown in a characteristic attitude, singing a song with the golf links in the background. He was known as "Singing Jamie" and in that respect I am also glad to know that the American Association keeps up the connection of the profession with vocal talent; but I was going to tell you a story about Jamie Balfour: He was what is called a boon companion. He had a very robust constitution and was known as possessing the singular faculty of being able to run when he couldn't stand. One night after an evening's amusement he was found by a gentleman, having fallen into a little excavation in St. James Square, and being perfectly unable to get out, he appealed to the gentleman to assist him. The man said "Certainly, I am very glad to help you out, but suppose I get you out you could not stand." "If you will help me out I will try you a race to the Tron Kirk for a bottle of claret," was the reply. No sooner had Jamie been set on his feet than he set off like a deer, and he was found on the steps of the Kirk waiting for his friend. "Now," he said, "I will run you a race to Lucky Fortune's for another bottle of claret." This race had the same result and they both adjourned to Lucky Fortune's to discuss the claret, and the even-

ing ended at a late hour by Jamie being seen escorting his friend with some difficulty to a sedan chair while he, himself, was as fresh as if nothing had happened.

Now I am very glad to know that the American Association keeps up the traditions of the profession (laughter) of course I am referring to golf and not to these other traditions.

Well, in all seriousness, ladies and gentlemen, this is the last opportunity I think I shall have of meeting you all and of again saying to you with what extraordinary pleasure we have enjoyed your kind hospitality and the very many pleasing and flattering attentions which you have bestowed upon us, and to add this—that although we may not be a demonstrative race in Scotland, we are, I think, a warm-hearted race, and we hope that it may be in the power of many of you to come to Scotland and to give us an opportunity to reciprocate some of your kindness and hospitality. We do not indulge in large entertainments of this kind but I can speak for myself and for the other members of the deputation from Scotland, and individually, we shall welcome any and all of you, and we can say so also for many other members of the profession in Edinburgh, Glasgow, and Alberdeen, who, although they were not able to come to this convention, have a very kind leaning toward the United States of America and the accountants there. (Prolonged applause.)

The Canadian Societies.

By A. F. C. Ross, F.C.A.,

Past President, The Dominion Association of Chartered Accountants.

In rising to respond to the toast of "Canadian Societies" I am forcibly reminded of a remark attributed to a worthy American citizen. I do not know that he made it, but if not and if it is only one of the many unjust charges which has been laid upon his shoulders, I believe his back is broad enough to bear them all.

It is said of John D. Rockefeller that he once expressed himself as being opposed to after dinner speeches. He said they reminded him of a bicycle wheel, "The longer the spoke the greater the tire."

However, I feel you will be indulgent to-night while I say a few words on behalf of the Canadian Societies, for they are friends and not strangers to you. If they are strangers, they are strangers in the sense depicted by Booker T. Washington, in one of his inimitable negro stories. He tells of an old darkey who lived on a plantation in one of the Southern States, and, who had a very charming daughter. The old darkey was very jealous of the attention his daughter attracted from the young men in the neighborhood, so he brought her up in as strict and as straight-laced a manner as possible. Returning home one afternoon, however, rather unexpectedly, he was surprised to see his daughter sitting

under an apple tree with a strange nigger, and on looking more closely he saw that the strange nigger had his arm around his daughter's waist. He immediately went over to them and said: "Dinah, tell dat coon to take his arm from round your waist." His daughter looked up indignantly and replied, "Speak to him yourself, father, he's a pufect stranger to me."

I feel that the Canadian Societies are in even a stronger position to-night than the strange nigger, for we have not only been in as close a touch with the American Association for a number of years, but our professional forefathers, representatives whom you have with you to-night from the Old Country, have not as yet told us to let go.

I would like you to note that I am keeping within bounds in any statement I make. I referred to our forefathers, we have really with us to-night, five fathers; two English and three Scotch.

You will also notice my magninimity on this occasion for I have mentioned the English first. I might have reversed the order, not only on account of the Scotch Institutes being older than the English Institutes, but also on account of my being of Scotch descent and my nation having been slandered by a former speaker, but I have not done so. I might even have gone further, and in view of the hospitaiity your association has lavished upon your guests during the past few days, I might have inadvertently referred to them as three Scotch and two sodas.

I am proud to-night to represent the Canadian Societies, and I welcome the opportunity on their behalf to express to you our appreciation of the courtesies and many and persistent kindnesses which you have showered upon us during the whole of your splendid conference.

Our Canadian Societies are not as strong, numerically at least, as those in your states, but they cover a similar immense tract of country. From Nova Scotia on our Atlantic seacoast, through the Provinces of Quebec, Ontario, Manitoba, to British Columbia on the Pacific coast; with societies in each of these provinces, with two more societies in process of formation in our new Provinces of Saskatchewan and Alberta, and with the Dominion Society comprised of chartered accountants throughout the length and breadth of Canada, we are all united this evening to do honor to the American Association of Public Accountants upon their coming of age.

Canada has generally been considered a cold country, but I want to tell you to-night that it takes warm-blooded men to live in a cold country, and so the congratulations which we tender you this evening are of the warmest descripion.

Three, at least, of our Canadian Societies have already successfully attained their majority a few years ago, and I think I can safely say that the progress and development of the profession in our country has been greater and more marked since that period than in all the preceding years. The American Association, therefore must not feel that in attaining their majority they have finished their work; it is only commencing. They have a long life before them and they are on the right track.

In this sense they are in a different position to that of a friend of mine who, on his wedding night, took a train with his bride and started on his honeymoon. In due course the conductor came along and asked for their tickets. The bridegroom hunted through his pockets, and then in his excitement, which is excusable under such circumstances, he handed the conductor his marriage certificate by mistake. The conductor took it, read it carefully through, and then returning it to him said: "Young man, your ticket reads for a long and weary journey, but it is not on this train."

The Canadian Societies became first acquainted with the American Accountant at that memorable Congress of Accountants held in St. Louis, Mo., some four or five years ago. Delegates from our societies have attended your annual conferences from time to time since that date. We have watched with interest the growth and development of your association. We have watched you meet obstacles which appeared to be insurmountable; we have known you to face differences which seemed unadjustable; and we have seen you confronted by great and serious problems; but we have also seen you get together, heart and heart, and in a fair, if frank, manner discuss these situations, and we have seen the obstacles disappear, we have seen the differences reconciled, and we have seen the problems solved; until now you are a great organization, stronger, virile, and splendidly equipped for the work lying before you. And we Canadian accountants while busy in our own country developing as far as in us lies, our profession, have yet time to watch with interest the life of your association; to attend your conventions and learn from your experiences how best to build up our own societies; to enjoy the pleasure of your social functions and through all and above all to wish the American Association of Public Accountants Godspeed in their association life. (Prolonged applause.)

Brotherly Love.

By Chas. N. Vollum, C.P.A.

President of the Pennsylvania Institute of Certified Public Accountants.

I appeal to you, how can any one do justice to the subject of Brotherly Love in five minutes, that being the time allotted to me. However, it may be that five minutes will be ample in which to tire your patience.

In glancing over the assignments to other speakers, I find that two other gentlemen will address you on the more or less kindred subjects of Brotherly Love, namely, Reciprocity, and The Ladies, and it may have been thought by him, that the subject would be properly taken care of in instalments.

However, my task is too difficult for me, as Brotherly Love is the corner-stone of all religions, and it is impossible to preach a sermon in five minutes, therefore it would not be wise for me to attempt it.

With your permission, therefore, I will take the liberty of consuming the five minutes allotted to me, in making a few remarks on—

The City of Brotherly Love; "Philadelphia," a rather uncommon position for a Philadelphian to take, as they generally avoid "blowing their own horn."

The City of Philadelphia was founded by Wm. Penn in 1682—as stated by him, for the following object:

I took charge of the province for the Lord's sake; to raise a people who shall be a praise in the earth for conduct, as well as for civil and religious liberty; to afford an asylum to the good and oppressed of every nation; to frame a government which may be an example, and to show men as free and happy as they may be."

Can you imagine a better foundation for a city, and is it a matter for wonder that the superstructure built thereon should be good?

It is the cradle of Liberty, and has rocked that cradle so efficiently that Liberty, Brotherly Love, and Philadelphia have become synonomous throughout the world.

Philadelphia has the reputation of being slow, and so it is:

Slow, in endorsing fraudulent concerns intended to take the people's money for the benefit of a lot of promoters.

Slow, very slow to believe that one must beat the other fellow, before he beats you.

Slow, in adopting social customs that make monkeys out of mankind, and

Slow, in all matters that have a shade of suspicion, and that can not bear the limelight of publicity—but, it is, however,

Fast, to stretch forth its filled hand to relieve distress of any kind throughout the world, whether caused by earthquake, fire, famine or flood.

Fast in its adherence to the principle that one should do unto others as he would be done by.

Fast, in its charitable and educational institutions endowed and supported by its own money, and not from the overflow of riches of the so-called captains of industry.

Fast, in giving a silent pressure of the hand to the mourner.

Fast, in providing funds for all legitimate undertakings, and

Fast, in all matters appertaining to true manhood and the uplifting of humanity.

With all of its alleged slowness, you, gentlemen from the North, and from the East, and from the South and from the West, will find that, in almost all of your cities and towns, Philadelphia is represented by money

of its citizens in all enterprises of a legitimate character, but not found in any doubtful ones.

Philadelphia, in common with all large cities, once in a while, has a political turmoil, which drags its fair name into the mire; and it has been called "Corrupt and Content."

Can you imagine a city having 300,000 homes for its 1,500,000 inhabitants, or one home for every five persons being very corrupt.

It is not corrupt except as humanity in general is corrupt, but it is content to let these little political flare-ups blow over, and it is then found that the politicians of Philadelphia of both sides, while not angels, are about the ordinary run of humanity, some good, some bad and some uncertain.

Probably angels would have an uncomfortable time in this world in finding the exact niche that they were fitted for.

Now, what has Philadelphia done during its 225 years of existence?

Taking only matters in which she stands first, we have

The first treaty with the Indians that was never sworn to, and never broken.

The first book printed in the Middle Colonies.
The first anti-slavery protest.
The first paper mill
The first newspaper.
The first botanical garden.
The first mariners' quadrant.
The first Masonic lodge.
The first German newspaper.
The first volunteer fire company.
The first German printing press.
The first book printed from German types.
The first medical book.
The first periodical.
The first Bible.
The first religious magazine.
The first medical school.
The first hospital.
The first lightning rod.
The first insurance company.
The first Arctic expedition.
The first orrery.
The first school of anatomy.
The first suggestion as to steam as a motive power for land carriages.
The First American Congress.
The first daily newspaper.
The first anti-slavery society.
The first United States Flag.
The first English Bible.
The first Episcopal Church.

The first steamboat model.
The first dispensary.
The first Greek book.
The first canal.
The first bank.
The first mint.
The first turnpike company.
The first vessel to demonstrate that transportation was possible between the Great Lakes and the Hudson River.
The first steam dredging machine.
The first commercial agency to sell American manufactures.
The first carbonated water manufactory.
The first railroad.
The first African Methodist Church.
The first Normal School.
The first lithograph.
The first calico cylinders.
The first consolidation act.
The first International Exposition.
The first commercial museum; and, to come down to our own profession,
The first large University to incorporate into its curriculum, the study of business and higher accounting, and
The first magazine devoted to higher accounting.
This would seem a very fair record for a slow city.

In conclusion, I would say that Philadelphia is aptly named, the City of Brotherly Love and that, we of Philadelphia and of Pennsylvania cordially invite you to come "play in our melon patch" and you can be assured that our Brotherly Love will be exerted to the utmost to make you feel that you are one of us.

On Behalf of the State Societies.

By George Wilkinson, C.P.A.

of the United States..

In listening just now to the long schedule of items in which Mr. Vollum told us the City of Philadelphia had been "*First,*" we were all very much interested. It is, perhaps, not within the knowledge of most of you, and it does not seem to have met with the observation of our friend Mr. Vollum, that the first talk and the first inception of the idea of having an American Association of Public Accountants had birth in Philadelphia. Mr. Roberts told us that the first meeting was held in the office of Messrs. Barrow, Wade, Guthrie & Co., Chartered Accountants, in New York City. That was true; I remember it very well. But prior to that time Mr. Edwin Guthrie, the senior member of that firm at that time, since deceased, had

a talk with the late John W. Francis and the late John Heins, in the City of Philadelphia; and I confidently assure you that it was right there, in the "City of Brotherly Love" that this American Association of Public Accountants was first talked about.

Mr. Roberts has also referred, quite briefly, to the fact that several state societies of accountants, existing in 1902, came together and formed themselves, as he put it, into a Federation. "The Federation of Societies of Public Accountants in the United States of America" had a short career; probably on account of its long name.

The Federation did not die, but was merged into The American Association of Public Accountants, as very many of you know. It was about that time that this great country seems to have awakened to the fact that there was a profession of accountancy here in the United States.

Up to now, we have been in what we might properly call the "Formation Period." We have planted a great many state societies of accountants. Some of them have grown into mighty strong trees, some have not grown so strong, and some of them are very weak; while certain of them, I am sorry to say, have got some of their main branches crossed and there has been a great deal of friction. Many of these trees have lost their leaves; a few are well nigh dead. Still a great deal has been accomplished during the last few years, while a meeting like this will certainly spur us on to make our best effort for the advancement of our profession.

The Congress of Accountants, held at Saint Louis in 1904, has been briefly referred to. One of the most important things that happened at the Congress was the coming of the visiting accountants from England and from Canada. We all learned a great deal from the very well-thought-out paper of Mr. William Francis Pixley, who came here to represent The Institute of Chartered Accountants; and which of us, who met him, can for a moment forget that "gentleman asleep across the seas, who wishes he was here," that great big, warm-hearted fellow, James Martin! (Applause.)

Since coming to Atlantic City I have received unofficially, from Mr. James Martin, a cablegram addressed to myself at this house, which, Mr. Chairman, I would like to read. He says: "Cordial congratulations and best wishes from Martin."

James Martin said to us accountants, "Get together, gentlemen," and, mark you, that was before the merger. He took me aside, and with tears in his eyes, he warned us against pulling apart and having two associations or societies of accountants in the United States. We did get together and the American Association, which our Secretary tells us to-day has eight hundred members and twenty societies, is the outcome of our "getting together."

We have here a combination which I would like to call a *Hybrid*, for the benefit of the ladies with horticultural leanings. It is the result of a compromise. It is in many respects an awkward organization, for while it is an association of individuals, it is at the same time, a federation of state societies.

The government of this organization is a complex and very difficult problem, and the Board of Trustees has a great many troubles of its own. When we elect men to serve on that Board of Trustees, we think we are conferring a great honor upon them. We feel that we have handed them something much to be desired. The *fact* is that we have given to each of them a tremendously difficult piece of work. I think you will agree with me that we owe these Trustees our sincerest thanks for the time and work they devote to our interests.

I would like to refer, very briefly, to state legislation. We have been told that there are now sixteen States enjoying the privileges of C. P. A. legislation; but we can not regard the State legislation as the sum total of human happiness. Last night Mr. Price told us that compared with the accountants in England, we in the United States were "in the palace of the king." We can not for one moment believe that we have got the very best thing obtainable, when we have passed our C. P. A. Law. It is only the beginning; it is the foundation on which we, by infinite labor, are to build our profession.

We have listened with a great deal of interest and attention to the carefully thought-out address by Mr. James G. Cannon. The great difficulties that confront us in the establishment of a profession are very real. Mr. Cannon has pointed out, as others have before, that a great many of the candidates for the C. P. A. examination fail to pass in "Practical Accounting," and he has told us that some of the papers on "Practical Accounting" are too difficult; in some cases he feels sure that questions have been stated rather with a view of "stumping" the candidates. This may have been the fact in some cases, but it has not been the rule and it will not be the case in the examinations that are held in this State of New Jersey, of whose examining board I have the honor to be a member.

At the Congress of Accountants in 1904, one of our guests from Canada told us, in speaking about our building up the profession, "! the more young men who enter our profession, through the door of which the examiners hold the key, the better." It does not do our profession any good to grant men C. P. A. Certificates under the "Waiver Clause." It does not do our profession any good, *per se*, to grant a certificate to a candidate after examination. But what *does* our profession good and what helps us in the upbuilding of public accountancy, as a learned profession, is the *study* that the young men are doing in preparation for these, our State examinations. This logically brings me to what I have to say in closing, and that is that this great educational work has been well started and is going on in several centres.

I know that it will receive hearty encouragement from our friendly critic Mr. Cannon. Our friends from England, Scotland, and Canada, will be glad to learn more of it than I can tell them on this occasion. Suffice it to say here that University Schools have been established, and are doing good work in New York, Pennsylvania, Illinois, Ohio, Wisconsin, Colorado and other States; while the professional public accountants, living in these and other States, are giving up their leisure time for the development of the future generation of Certified Public Accountants.

Reciprocity.

By Max Teichmann, C.P.A.

Maryland Association of Certified Public Accountants.

The subject assigned to me for a "five minutes' talk" is Reciprocity.

The word reciprocity means "equal mutual rights or benefits to be yielded or enjoyed."

This subject is so broad that its proper treatment, in all of its aspects and diversities, could not very well be crowded into the brief space of five minutes.

But I do not suppose that I am expected to cover the whole field of reciprocity, including that as between nations, nor do I think that I should say something relative to the recent lack of reciprocity as between banks and other legitimate enterprises (with the lack on the bankers' side).

I believe that you want me to say a few words on reciprocity as affecting Certified Public Accountants and the practice of their profession in states having C. P. A. laws.

The successful public accountant, in the practice of his profession, is not—and can not be —confined to a limited area or a certain State.

He has clients in all States and must serve them wherever they are.

Members of the profession have banded themselves together in their respective States and, by hard work and perserverance, succeeded in a number of States in having C. P. A. laws enacted.

These laws, while aiming for the same result, differ in some minor details.

But, strange as it may seem, in all of the older laws the "open door" policy is *non est,* reciprocity is not invited nor sought, the yielding of equal mutual rights or benefits to our brethren across the line was not taken into consideration, consequently the enjoyment of the same equal mutual rights or benefits was denied us.

When we consider that the practice of a public accountant extends over the whole United States, that the field of his labors can not be restricted, that he can not be confined within a small limited area, then we must confess that we have been pursuing a very small, narrow and shortsighted policy in the past, unworthy of otherwise broad and liberal minded men of affairs.

It is not too late to correct the mistakes made in the past and I hope that action may follow these words.

I remember distinctly that, when reciprocity was first mentioned some years ago, when the equal mutual rights or benefits to be derived were pointed out, when the different State associations—through their attending delegates—were requested to take the matter of having their State C. P. A. law amended by the addition of a reciprocity clause, under advisement, most of our brethren, instead of calmly considering this very important question, hastily jumped at wrong conclusions and things were rather unpleasant at the time.

In justice to those who favored reciprocity let it be said that they were only actuated by a sense of fairness, goodwill and duty to all practicing Certified Public Accountants, wheresoever dispersed.

They were willing to give their brethren the hand, to open the door and keep it open, and they knew that if they yielded equal mutual rights or benefits, they themselves would enjoy the same equal mutual rights or benefits to exactly the same degree or measure.

I am glad to say that the seed, then sown, has sprouted and has grown to be a strong, beautiful tree, bearing blossoms and some fruit.

The State of New Jersey, on whose hospitable shores we have been so enjoyably entertained, has the distinction of being the first State in the Union to enact a C. P. A. Law with a reciprocity clause.

Other States have followed and it is safe to say that Ohio has been the most liberal one.

Local conditions may, for a time, stand in the way, but if our state associations are active and are not conducted on the mutual admiration plan only (with petty jealousies attached), we are bound to succeed in having a reciprocity clause in every one of our C. P. A. State laws, sooner or later.

A great deal can be accomplished by our American Association in encouraging and counseling the affiliated State associations with reciprocity as the underlying basis.

But while we are working in the interest of reciprocity in and between the several States we must not lose sight of the fact that, by reason of our individual practice extending all over this great country, we are surely entitled to Federal recognition.

That we have failed in our former efforts should not be a bar to future attempts.

Why did we fail the last time? Simply for want of reciprocation, which means a mutual giving and returning. The one side gave all they could, but the other side did not return anything. All the efforts were in vain owing to lack of necessary support. And here I may say that those who were engaged in the good cause did so, not for the purpose of achieving personal honors or glory, on the contrary, they were willing to work—and did work hard—for equal mutual rights or benefits to be enjoyed by all of us.

Now, do not let us make the same mistake again, let us reciprocate, work hand in hand the next time, which should not be far off.

A way is open to us under the present broad construction of the Inter-State Commerce clause in the Constitution.

The words, the right to "regulate commerce among the States" have probably given rise to more doubt among statesmen, and to more constructions by the courts, than any other phrase in the constitution.

As to what the framers of this phrase meant by it, opinions differ greatly. We need not concern ourselves with that.

But, according to the present interpretation of this phrase by Congress or the Federal Government, Congress would have "power to regulate,

forbid or tax interstate commerce, including not only goods in transit but all articles, crops or manufactures which may ultimately become the subject of such commerce, and all instrumentalities of such commerce physical or documentary, and that the right to regulate further includes not only the regulation of the goods or articles, but of the persons who conduct the commerce and hence of their charges or even their profits."

Under this broad construction of the power, the control of nearly all the commercial affairs will be put into the hands of Congress or the Federal Government and if our claims are properly presented and supported we will have a very good chance of receiving Federal recognition.

In conclusion—let us be true to ourselves and our cause—let us cultivate and practice reciprocity.

Annual Meeting.

By Harvey S. Chase, C.P.A.

Incorporated Public Accountants of Massachusetts.

The subject assigned to me, "Annual Meetings" is one not easy to be lightly handled, and yet I was instructed to "deal humorously with this subject;" to put in a delicate touch here and there and to distill from so intractable material whimsicalities which in some measure should restore your energies and your attention which at this late stage of after-dinner oratory may well be inclined to droop.

Such a proposition is so simple (!) and so easy of attainment (!) after a dozen rather heavy courses, a dozen rather bubbly bottles and after many more than a dozen speeches that I am sure you will be surprised that I should not have handled so "æroplanic" and "aviatory" a subject with the levity which was suggested as due and becoming.

I had prepared a fair sized volume of statistics (showing typewritten sheets) upon past and present annual meetings, but in place of delivering this essay to you I will ask "leave to print" and will devote myself not to the letter of my subject which is therein contained, but will lead you into a disquisition upon the relative humorous aspects of our various annual meetings. Therein I shall follow the spirit of my instructions rather than the letter of my title and as the true import and value of a nation is said to be illustrated by the character and potency of its humor so we may judge of the relative value of the annual meetings of this Association by quotations from the stories which have been told thereat by our various guests and toastmasters.

After relating a number of anecdotes and stories selected in part from those most favorably received at previous meetings, the speaker referred to a "clipping" which he desired to read to the assembly, and, after producing a series of newspaper columns, each one of greater length than the preceding one, he read from what purported to be the last clipping, a rhythmical composition, entitled, "The Accountants," as follows:

THE ACCOUNTANTS

There was a group of gentlemen
Of *credit* and renown,
Who *cashed* their little credit up
And paid their dollars down,
And then they said "we'll paint it red
And open wide the town."

"We will invite half England and
The whole of Montreal,
The canny Scots we'll bring awa'
With Welshman and with Gaul,
To hold a meet on sandy shores
Where sea tides rise and fall."

"From all our sovereign commonwealths
Shall delegates appear
To represent societies
Of states both far and near,
To join in friendly intercourse,
Good fellowship and cheer."

Anl so they came and here they are,
Good fellows every one,
Full ripe for deep discussions, or
For jollity and fun.
You could not get a better lot
Together 'neath the sun.

Then, hip, hurrah, for all of us,
Let guns speak, clang the bells,
To let appreciation show,
Of which the whole heart tells,
With tribute to our president,
Our well-beloved Sells.

A rising toast to the health of the retiring president, Mr. E. W. Sells, C. P. A., was then offered, concluding with a triple cheer and a song.

We bow to his successor in
The presidential chair,
Whose character, ability
And worth we do declare.
Whether his name be James or John
Or Joseph, we don't care!

Referring to a confusion of titles in the association meeting of the previous day.

All honor to committeemen,
Who worked from sun to sun!
Hurrah for Vollum, Suffern, Ross,
And every other one,
Including that warm friend of man,
Our own George Wilkinson.

Our guests from over land and sea
We greet with loud acclaim.
Forever, shall they stand to us
High on the rolls of fame.
A health to each and long, long life
To bear an honored name.

We have been favored mightily,
And oratory shown.
A Plender's splendors. Price advice,
And Smith's well won renown,
With Dewar, Green and Greenhill, Moore,
Annan, and Richard Brown.

Now, there are footballs, tennis balls,
And golf balls from the tee,
And there are highballs, wet and dry,
Of every degree.
But best of all the Balls we know
Is president, John B.

Then, from "Our Lady of the Snows,"
From east and from the west,
Three thousand miles of Canadas
Have sent us of their best,
With Hyde and Ross, and Scott and Stein,
MacPherson and the rest.

And now 'tis done! The play is o'er,
The curtain is to fall.
But stay, there is another day,
The very best of all.
To-morrow we shall go to play
The insidious golf ball.

The royal and the ancient game
May well conclude our meeting,
For on the link's we're brothers all,
To every player greeting,
And heart to heart we play to see
Which one will take a beating.

And then farewell, to north and south,
To east and west departing,
We give "God speed" to every guest,
Although our tears are starting,
Only the hope "we'll meet again"
Consoles us for this parting.

The Ladies.

By Colonel Franklin Allen, C.P.A.

The New York State Society of Certified Public Accountants.

Mr. Toastmaster, brethren from across the sea and from the Great Dominion to the north of us, and fellow members of the

American Association: You will all join with me, I am sure, in a tribute of thanks and greeting to the fair sex, so many of whom are present with us this evening. If you will consult your watches, you will see that the eleventh hour has past struck for justice to be done to them.

Our professional thoughts have been occupied for three days now in the pursuit of ideals, whereas all the time right here, as a matter of fact, we have had the real ever present with us. (Applause.) So much so is this the case that at least 30 per cent. of the attendance at this banquet to-night are ladies. The ideal and the real have been much occupying the thoughts of men and women all over the world of late, and especially is this true at this particular time in our American political contest now pending, and which will be decided on November 3d. Apropos of a little story of Brother Chase in his speech this evening, I am reminding you that all of the members of this association are at least twenty-one years old, to-day, and therefore all eligible for the responsibilities of life, but I warn you ladies that the privilege of the fair sex, known as the leap year privilege is fast drawing to a close. (Laughter.) Speaking of age, I remind myself of an experience I had when I was a lad living in the country down on Staten Island. I went over one morning to make a call on a lady I knew very well, and as I approached the house I saw a butcher's wagon, one of those old-fashioned contrivances, with a white linen top; at the tail end of which hung the weighing balances, and inside the wagon was filled with every description of juicy meats. This was the day when the housewives did not do their marketing by telephone, but the market was brought to one's door in the manner I have attempted to describe. Also at the tail end of the cart were two figures—the butcher, and the cook of the family I was on my way to visit. As I neared the house I could not fail to overhear the tenor of their remarks. This was also before the day of beef trusts and prices were considerably lower then than now. The buyer wanted to get her approaching dinner at as low a price as she could, whereas the seller took the other view of it and wanted to realize as much as he could. The dickering was over a leg of mutton at eight cents a pound, and she demurred. He weighed it, and quickly said "eight pounds at eight cents a pound, 8 times 8 are 88—Oh, take it along for a dollar." It is needless to say both parties were at least momentarily pleased with this ending of the barter, but, ladies, you will please notice your need to beware of beguiling men. The effect on my mind was somewhat different, and perhaps it was this transaction that induced me to become a Certified Public Accountant. (Laughter.)

I was very much taken last evening with the expression of the aims that should actuate the profession of accountancy by Harry Lloyd Price, President of the Society of Incorporated Accountants and "Orators" in Great Britain. Mr. Price phrased it "Perfection and not Protection" should be our aim.

In evidence of our instant readiness to profit by such good advice, the presence of so many of the fair sex this evening is at once our response

to this injunction and our inspiration to conform to it. In all seriousness, I refer to them and present them to you, individually and en masse, as the illustration of the perfection which we men are striving for, but unlike them, may not hope to fully attain.

A few of my lady friends in this section of the room, whom I have ventured to thank individually for their presence at this annual gathering which they have so delightfully adorned, have confided to me their appreciation of the kindness, courtesy, and attention which has been showered upon them on every hand since they have been our guests. In their view, perfection and generosity, and all the concomitant virtues are the attributes of the American Association of Public Accountants, and all of its members.

On behalf of the ladies, I therefore feel myself commissioned to say, they "thank you." Certainly, we thank them. (Applause.)

Mr. Toastmaster, permit me to give voice to another eleventh hour proposition. I am told there has been no official recognition in our proceedings of a tribute to the Pennsylvania Institute of Certified Public Accountants. We all know that we owe them our thanks and congratulations for their kind and gracious hospitality on the occasion of this annual gathering, and I therefore move you that we take a rising vote as a manifestation of our appreciation of the tribute that we feel we owe to the Pennsylvania Institute of Certified Public Accountants for their hospitable and courteous treatment during our entire stay here. (All rise).

1909.

By Alex. E. Fowlie, C.P.A.

Colorado Society of Certified Public Accountants.

I desire to read a telegram just received from the Colorado State Society:

"Greetings to the American Association. We will do our best to make good."

And to this I will only add:

Denver—the beautiful, in Colorado grand
Extends to you a welcome hand,
From every shore; from every clime
We will look for you in nineteen nine.

APPENDIX.

Railway Accounting In Its Relation to the Twentieth Section of the Act to Regulate Commerce.

By Henry C. Adams,

In Charge of Statistics and Accounts, Interstate Commerce Commission.

Gentlemen, Members of the American Association of Public Accountants: The topic assigned me by your Program Committee does not call for theoretical discussion, but rather for a practical consideration of the appropriate form of accounts for transportation agencies, in view of the somewhat unusual powers conferred upon the Interstate Commerce Commission by the twentieth section of the Act to Regulate Commerce.

I shall assume that you are familiar with the interstate commerce law, and especially with that section of the law which provides for annual, monthly, and special reports from carriers; which gives the Commission authority to prescribe a uniform system of accounts, deviation from which becomes a penal offence; and for the appointment of special agents or examiners with full authority "to inspect and examine any and all accounts, records, and memoranda kept by the carriers." I shall assume, also, that you have a sympathetic appreciation of the general purpose which actuated Congress when it conferred upon the Commission authority to exercise so far-reaching and comprehensive a line of influence. This latter assumption is essential for my argument, since otherwise it would be necessary to turn aside from description and analysis to a consideration of problems of political science and Governmental control,—problems which, while of deep interest to every member of this Association as a citizen of the Republic, would seem to lie outside the sphere of discussion by an association of accountants. Setting aside, then, all disputed questions relative to the rights of corporations or the sphere of Government control, permit me to call your attention to certain fundamental questions, and to the manner in which it has been thought necessary to treat them in framing a

uniform and comprehensive system of accounts. Minor matters of classification will be omitted from this consideration. It is the constructive work involved in a uniform system of accounts for all agencies of transportation, and the fundamental principles which underlie such a system, rather than questions of detailed classification, in which, I am sure, you have relatively a greater interest.

First among the considerations that should be recognized in the formulation of a system of railway accounts, mention must be made of the necessity of compiling the reports of the carriers into a comprehensive statement covering the financial and traffic operations of all railways of the country. This necessity finds expression in the act, and leads to a point of view which possibly may fail to appeal to the private accountant for the reason that he is imposed with no such task; but a Government accountant, who is obliged to compress into a single statistical statement the data contained in the returns of individual carriers, and who, familiar with the use likely to be made of such statements, recognizes the responsibility imposed by the obligation, is forced to accept the necessity of a correct statement of totals for the entire country as a ruling consideration for a large number of even apparently minor matters in corporation accounting. Two or three illustrations on this point may not be out of place.

Consider for a moment the vexed question of capitalization, and the place it holds in all discussions relative to public service utilities. For many reasons the assignment of capital to property is a significant figure, but in order that this figure may represent a definite fact, or convey an intelligent impression relative to the general situation, it is essential that a uniform definition be given to the phrase "capital outstanding," that uniform rules be adopted for the treatment of collateral or trust securities, and that uniform methods be followed in the classification and assignment of corporate investments. The Division of Statistics and Accounts of the Interstate Commerce Commission has been greatly embarrassed by the various and sometimes conflicting methods followed by carriers in reporting their corporate liabilities and their corporate investments. The phrase "in the hands of the public," also, means one thing when used by a carrier, but conveys an entirely different idea when employed in a compilation

covering the capitalization of all carriers. A special investigation was recently undertaken with a view of determining for the railways of the United States the amount of capital per mile of line in the hands of the public, and it resulted in the somewhat startling conclusion that the figure commonly accepted as the outstanding capital per mile of line was in excess of the correct figure by nearly $10,000. No better illustration could be submitted of the imperative necessity of holding in mind the final combination of the facts reported by individual carriers when devising a system of uniform accounts.

A second illustration is found in the debit and credit joint facilities account for which the Commission's system of accounting makes provision, although, in this case, other considerations beside the necessity of combining the accounts of the several carriers into a single statement support the creation of such formal accounts. By means of them, the operating officer in charge of a joint facility may read from the accounts the total expense incurred in maintenance and operation, while, at the same time, the portion of that expense paid by the other parties to the joint agreement being credited to the total of the general account rather than to the primary accounts affected, the accountant may easily determine the correct amount of operating expenses to be set up against the operating revenue. The creation of these formal joint facilities debit and credit accounts is believed to be one of the most significant of the purely technical adjustments in the prescribed system of railway accounts. In one way or another, and by various devices, the reports filed with the Commission have always recognized the general principle underlying these accounts, but it has never been possible heretofore to secure uniformity of statement, or to guard against either duplications or omissions in the combined statement of revenue and expense of all the carriers.

The general principle underlying joint facilities accounts has many applications in the system of accounts prescribed by the Commission for transportation agencies. It is used in the adjustment of the accounts of terminal and switching companies organized as corporations, but owned by the tenants making use of the facilities provided. It is also used in the adjustment of interdepartmental accounts in the case of a corporation which

sells transportation, light, and power, or in the case of different corporations which unite by agreement for the joint production of power used.

Another significant feature of the system of accounts prescribed by the Commission finds its support in the desire for correct statistical statement. It is well known that railways, as well as other carriers, are engaged in a large number of operations other than transportation by rail. For the most part, these operations are intimately connected with, or at least are ancillary to, the business of transporting passengers and freight, but the revenues incident to them, as well as the expense occasioned by them, are sufficiently distinct from the revenues and expenses which accrue on account of transportation by rail to warrant a separate set of accounts. In no other way is it possible to secure a correct statement of totals for transportation by rail. This distinction between rail and non-rail expenses has led to the recognition of a class of operations designated as "outside operations," such as harbor terminal transfers, electric railways, electric light and power plants, stock yards, and the like. There are twenty-one principal classes of operations carried on by railway corporations, which, strict analysis, are properly excluded from the "transportation by rail." The controlling reason for requiring a separate set of accounts for this class of activities is expressed in the definition framed for outside operations. This definition is as follows:

> Outside operations are facilities operated or services rendered by a railway other than those incidental to transportation by rail, the revenues and expenses of which, if included in the carrier's accounts dealing with transportation by rail, would impair the significance of statistics prepared from such accounts.

It thus appears that the accounting provision made for outside operations is yet another illustration of the influence which the necessity for statistical statements required by the twentieth section of the act to regulate commerce has exerted upon the form of accounts prescribed by the Commission.

It may be asked, in passing, why the manufacturer of lumber and other products and the mining of coal are not treated as outside operations. So far as coal and coal roads are concerned, the less said at the present time by an accountant the better. With regard to the manufacture of lumber and other products,

it is believed that the accounting situation will be more perfectly met by a special treatment of industrial railways. Such, at least, is the theory upon which the Division of Statistics and Accounts is now proceeding, a theory which is being tested by a somewhat extensive investigation into the character and operation of industrial roads and private tracks.

Sufficient has doubtless been said to make clear the manner in which the necessity for compiled totals and statistical statements may determine accounting adjustments. There are very few questions indeed which are not affected by this consideration, and its application is especially far-reaching when it is recognized that, in addition to railway accounting, the law requires a prescribed system of accounts for certain classes of boat lines, for express companies, for sleeping-car companies, for electric railways, and for pipe lines. These several agencies of transportation touch at many points, and in so far as their activities are similar in character, their accounts should be so adjusted as to make possible a general statistical exhibit of these activities. It is especially important that this feature of the problem be held in mind in a study of the system of accounts for railways, and other agencies of transportation which the Interstate Commerce Commission has prescribed.

The second general consideration which has largely controlled the constructive work of the Commission under the twentieth section of the act to regulate commerce is found in the necessity of securing from each carrier a correct statement of net revenue from operations, monthly as well as annual, and also an annual exhibit which shall correctly portray the financial standing of each and every respondent corporation. Quite apart from the law which makes this a requirement, there are many reasons why the net revenue from operations, and the accumulated profit and loss should be compiled from accounts kept in a uniform manner, since without such uniformity for all carriers, as well as for all reports of the same carrier from month to month and from year to year, an astute management has it in its power to issue misleading statements, to the detriment alike of the investor and the public. In all matters touching the net operating revenue, and the accumulated corporate surplus, it is assumed that Congress intended, by the authority over railway

accounts which it conferred upon the Commission, to define and to limit the sphere of influence which may be legitimately exercised by those who manage the financial side of railway properties, to the end that these activities may contribute to the enduring interest of the States.

Passing over a large number of minor questions which have a direct bearing on the net revenue from operation and the accumulated surplus, such as the exclusion of taxes from operating expenses; the acceptance of an operating contract, or the character of the service as the basis of accounting adjustments; the extent to which reserves should be used to localize in the accounts undetermined liabilities; whether or not that portion of the tariff covering the payment for a privilege is a revenue to the corporation operating under the privilege, and many others of like character that might be named. I venture to call your attention to three questions which are not only fundamental in the science of accounts, but which bear a peculiar significance when we consider the reasons which prompted Congress to confer upon the Commission the right to prescribe accounts for transportation agencies. These questions pertain to the following points:

First. The inclusion of depreciation in operating expenses.

Second. The treatment of abandoned property.

Third. The propriety of secret reserves.

A consideration of the above questions will plunge us at once into those controversies which always have been, and, in all probability, always will be, matters of contention between the management of great properties on the one hand, and the accountant on the other; for the accountant is in a peculiar sense the professional representative of the investor in corporate securities and of the general public.

Depreciation Charges.

When carried to its final analysis, the question of formal depreciation charges to operating expenses is simply a question of what constitutes cost of operation, and the time when such cost shall be acknowledged in the accounts. The position which the Commission's system of accounts assumes on this point is, that the depletion of an asset which represent an investment

through the use of that asset in operation creates an item of cost of operation which should be reflected in the accounts when the fact of such depletion takes place, and that a statement of net revenue made without including this element of cost in operating expenses, is an erroneous statement. There are, of course, many ways of providing for the maintenance of the property used in operation, but, in view of the insidious character of the temptation to which railway managements are exposed, namely the temptation to borrow from the property without making an accounting record of the fact, it has been thought wise to prescribe a uniform method of procedure in the case of equipment, and to provide for the charging of such depletion to operating expenses regardless of whether or not the property is subsequently restored. The unexpended balance of the reserve accumulated through these charges will measure the deficiency which at any time exists on account of the uncovered depletion of the equipment. It is a sound rule of accounting that operating expenses of all sorts should be determined and acknowledged in the accounts at the time when such expenses, in fact, occur, rather than at the discretion of an executive officer. No reputable accountant, much less a Government accountant, could concede that a corporate expense does not exist until the management of the corporation sees fit to make formal recognition of the fact. An expense arising through consumption of the property employed in operation ought to be acknowledged on the accounts with the same scrupulous fidelity as an expense caused by the consumption of labor or of material.

I am sure from what I know of the members of this Association, and of the work which has been accomplished, that no serious exception will be taken to what I have thus far said in support of depreciation charges. It is probable, however, that a discussion of the rules prescribed by the Commission relative to depreciation would disclose considerable divergence of opinion, so far as accounting methods are concerned. They are inconsistent in that they apply to maintenance of equipment while making no recognition of depreciation in the case of maintenance of way and structures, an inconsistency which is especially embarrassing when the proper method for the treatment of reserves for rails, ties, and the like is under consideration, nor would I

claim that the rules which have been prescribed relative to depreciation on equipment reflect a complete and, in all respects, a satisfactory analysis of the situation. Among the many comments which have been made upon this feature of the Commission's accounts is one from the president of a prominent railroad, to the effect that expenditures for the renewal of important parts should be charged to the depreciation reserve, and not direct to operating expenses. This same criticism is suggested in an open letter by Mr. Dickinson, a member of this Association. Much may be said in support of this criticism. In my judgment, there are five elements which should be taken into consideration in a satisfactory adjustment of maintenance charges. These are:

1. Current repairs.
2. Renewals or repairs of important parts.
3. Premature retirement—involuntary.
4. Premature retirement—voluntary.
5. Retirement on or after maturity.

The Division of Statistics and Accounts is now entering upon an investigation of the records of the carriers relative to locomotives and cars, which, it is expected, will result in a satisfactory adjustment of the detailed rules of accounting so far as maintenance and depreciation charges are concerned. It is further desired to construct from the data collected by this investigation an experience table upon which reliance may be placed in testing the maintenance of equipment accounting. With regard to method of procedure it is quite probable that the rules which now find expression in the Commission's accounts may be modified from time to time. The proposition however, that depreciation is a proper charge to operating expenses is one which is regarded as an established principle in the science of accounts.

Treatment of Abandoned Property.

The second of the questions above referred to pertains to adjustments in the property accounts. It is the aim of the Classification of Additions and Betterments to draw a line between expenditures for maintenance, which are covered in operating expenses, and expenditures for improvements to property. To draw this line in a satisfactory manner, calls for a detailed

consideration of many minor questions. Indeed, there is very little in the science of accounts that can be touched by general observations. Passing over these detailed questions that suggest themselves when the Classification of Additions and Betterments is under review, we may come at once to the heart of the problem by asking what should be done with property abandoned as a result of a policy of general improvement? It is the history of all railway properties, and for that manner, of any business property that endures long enough to have a history, that each year sees additions, extensions, improvements, and betterments, until, in the course of time, the entire property is reconstructed. This class of expenditures may be made necessary by the pressure of competition, by the expansion of traffic, by the desire for economy, or by the demands of the public for more improved methods of transportation, or, indeed, it may result from the pride of the management. The occasion for improvements is of no importance, so far as the general accounting question is concerned to which they give rise, when coupled with the fact that improvements of all kinds are usually accompanied by the abandonment of property, and the consequent destruction of values. What is to be done with the value of the abandoned property?

It is not easy to state the claims of the contending interests involved in the above question. On the one side it is explained that what is paid for transportation is, in part, a contribution to the support of investments in railway property, and it is urged as a just claim that the property thus supported should be the property actually used in rendering the service, exclusive of property abandoned when for any reason it had become worthless. This means that the value of abandoned property should be charged to profit and loss, and the property account adjusted to the value of the new or improved property. Such a presentation seems at first blush to be the statement of a truism. On the other hand, it seems a just and equitable proposition that an investor should not lose the value of his original investment because the progress of the arts, or the development of technique, or the demand of the public, requires the abandonment of the old to make place for the new. There is considerable force in the claim that a lightly constructed road, with many curves and steep grades, should be regarded as merely a step in the construction of a road of modern requirements. It has been picturesquely stated

that as the cost of false work should be included in the cost of a completed structure, so the property abandoned in the development of a poor road to meet the requirements of modern conditions should be included in the cost of the completed property. This line if argument appeals with especial force when one considers the history of the development of electric railways. There is scarcely a city in the country in which the existing traction system does not rest upon two or three reorganizations, each of which involved the loss of a considerable portion of the original investments. It certainly seems a little hard that the investor should be obliged to lose his property, especially in view of the fact that many of the States have very properly passed laws designed to curtail the profits which accrue from franchise dealings. Thus far the Commission has refrained from expressing an authoritative opinion relative to the proper method of treating abandoned property. It is possible that mature deliberation will result in a policy which shall recognize whatever of truth lies in both of the above claims. There are those who believe that this might be done by recognizing the value of the abandoned property as an equity asset, to be extinguished by charges to income spread over a series of months or years following the improvement by which the abandonment was occasioned. This suggestion appears to me to have considerable merit. It guards the public against a permanent capitalization in excess of the value of the property actually used in the service of transportation, while at the same time it guards the investor against the loss of his investment. The practical result of this adjustment, so far as the public is concerned, would be to postpone the date at which it might reap the full benefit of more perfect appliances and improved methods in the reduction of the price paid for transportation. This suggestion, which is in the nature of a compromise between the extreme claims of the contending interests, should meet with sympathetic reception, not only because it seems to satisfy the demand for equity and fair dealing, but it indicates a policy under which investors will be willing to purchase the securities of public service industries. Let us not, however, forget, in the interest which attaches to the question of abandoned property, that our only reason for its consideration at this time is to illustrate further the extent to which public policy may control an accounting proposition.

The Propriety of Secret Reserves.

I have no desire to discuss the general question of secret reserves from the point of view of the private accountant, although it has seemed to me that the argument usually suggested in their support rests upon an unwarranted distrust by the management of the man who owns the stock. From the point of view of public service corporations, however, and of the legal relations which such industries hold to the State, it is difficult to see how a consistent argument can be made for a balance sheet which fails to cover either in its assets or in its liabilities all of the facts which in any way bear upon the financial standing of the corporation. It has been a favorite method of financiering on the part of the American railways, a conservative method as it is claimed, to charge additions and betterments to income and not to capital. This results in the suppression of the improvement, so far as the accounts are concerned. A record, it is true, may be kept from year to year of the amount of improvement thus charged to income, but this is a secret record, by which I mean that it is a record which finds no expression in the balance sheet, and for this reason it seems to be a method of procedure repugnant to a system of accounts which rest on legislative sanction. The results which follow such accounting, also, are not above question. It is quite commonly claimed that the actual cost of road and equipment of the railways of the United States is millions of dollars above the record value of the property and it is the most severe criticism that can be urged against the present conditions of railway accounts that it is not possible to determine from the published records whether or not such a claim is correct. If we acknowledge its truth we can not evade the conclusion that the balance sheet statements published in reports to stockholders and to the Government fail to state correctly the accumulated surplus and that the difference between the published surplus and the true surplus is carried in a secret account or is lost in the property and entirely without an accounting record. What an opportunity for buccaneer financiering such a situation presents. How unfortunate the position of a stockholder whose only knowledge of the value of his stock is the published reports of the corporation! It seems to me that secret records or incomplete records of any kind are incapable of defence for any class of cor-

porations, although I am aware that eminent names may be cited in their support, but for public utility corporations no tenable argument can be urged in their defence. The interpretation given to the twentieth section of the act to regulate commerce by the Interstate Commerce Commission requires that the balance sheet for railways shall be uniform, comprehensive, and capable of easy examination and sure attestation.

Most of what has been thus far said will, I trust, approve itself to private as well as to public accountants. I have confined my observations to general questions and insisted upon regarding them from the point of view of public policy. It would be too much to expect that the system of railway accounts prescribed under order of the Commission should meet with unqualified approval when approached from some different point of view. Were we to examine the extent to which the principles of cost accounting are reflected in the classifications and rules promulgated, it is likely that many private accounts would be inclined to criticise what has been done. It is probable, also, that operating railway officials and heads of divisions who desire to use accounts as a measure of efficiency, or as a whip to enforce discipline, may fail to discover in the prescribed system all that they desire. These points have been urged with considerable force in the comments that have been made upon the accounts, but before accepting them as altogether pertinent, or at least as final in an argument for radical change in the structure of the Commission's system of railway accounting, there are one or two observations that I should like to submit.

In the first place, any one who has tried his hand at system-making will readily agree that it is not possible for any one system to respond with equal exactness to all of the varied and sometimes conflicting demands that may be made upon it. In order to preserve reasonable consistency and to guard against too great confusion in details, it is necessary at the outset to select some one controlling idea and to admit claims that may arise from that point of view so far as that may be possible. Had the construction of a system of railway accounting been handed over to the cost accountant, the operating officer would have fared badly indeed, and had the claims of the operating officer been recognized as paramount, the compilation of intelligent and

truthful reports would have been beyond the ability of the statistician. The point of view from which this work was undertaken has already been explained and it is believed that better results will follow the promulgation of a system of accounts designed to meet the broader and more comprehensive requirements of public statement, and so drawn as to render easy the task of examination, than would have been the case had the more technical and definitely practical considerations been accorded a superior influence. This does not mean, however, that the technical and practical considerations are ignored. The classifications of both revenues and expenses have been so drawn as to permit, by means of subdivisions and combinations of accounts, the attainment of whatever practical purpose an accountant or a management may have in view.

Were there time, I should like to comment upon that phrase in the accounting order of the Commission, which holds the accounting officer personally responsible for the enforcement of the accounting rules laid down, to show what this means as a phase of political development and what significance it bears for the profession of accounting; but I have already exceeded the limit which common courtesy sets for a single paper.

Railway Accounting in Relation to the 20th Section of the Act to Regulate Commerce.

By Arthur W. Teele, C. P. A.

I believe it is generally understood that under the authority of the 20th section of the Act to Regulate Commerce, full power is given the Interstate Commerce Commission to prescribe the system of accounts to be used by practically all of the railroad companies operating in the United States.

Those who are acquainted with railroad accounting know that for a number of years the railroads have been required to report annually to the Interstate Commission and the form of the report and the classification of the information contained therein has been in accordance with the requirements of the Commission, so

that the new provisions of the act do not involve so radical a departure as might at first appear. The requirements of the Commission were practically in accord with the recommendations of the Association of American Railway Accounting Officers and many railroads were keeping their accounts strictly in accord with those recommendations as far as their scope extended. In the order promulgated by the Commission, making effective July 1, 1907, the "Classification of Operating Expenses, Third Revised Issue," the introductory letter says, "With one exception, the 'Classification of Operating Expenses,' herewith promulgated, conforms to the recommendations of the association," namely the association of American Railway Accounting Officers.

The one exception referred to was that which attempted to separate into elements the amount paid by one carrier to another for the use of equipment and to distribute them partly to operating expenses and partly to income. In presenting the reasons for this distribution, the Commission introduced a new feature into the classification by providing for formal depreciation charges on equipment.

This feature is called new because for the first time it has been formally provided for in the classification by the Commission, but I question if there is a successful railroad company in the country which has not, in one way or another, provided to a considerable extent for depreciation not only of its equipment but of other parts of its property.

In any business venture the integrity of the capital must be assured before there can be any profit. When capital is invested in railroad property we know that parts of that property commence to deteriorate from the time it is acquired and that ultimately it is discarded for one reason or another. The difference between the amount originally invested and the amount recovered when the property is discarded constitutes a loss or depreciation which must be provided for before there can be any actual profit.

The action of the Commission in making provision for formal charges for depreciation of equipment has called forth many different expressions of opinion from men in the railroad service, and although the sentiment expressed has largely been opposed

to the action of the Commission, the existence of the element of depreciation and the necessity of providing for it at one time or another are admitted.

I do not think there are any public accountants, with experience in many kinds of work, who have not had to give much consideration to this question of depreciation of plant. I think all of us will agree that it should be provided for annually on some carefully calculated basis. We may hold different views as to whether the amount provided annually shall be included as part of the operating expense or cost of production or transportation, as the case may be, or whether in railroad accounts it shall be treated as a deduction from income or as an appropriation of the profits, and any of us may take different views for different undertakings but we must not lose sight of the fact of depreciation wherever it exists, or fail to make provision for it, and it must be dealt with in a way which will not allow those responsible for the operation of the property to lose sight of it or fail to take it into their calculations.

If it is within the province of the Commission to determine the cost of transportation, in order that they may judge concerning the margin between the tariffs charged for the service of transportation and its cost, then the accounts must be kept on a uniform basis by all railroad companies so that fair comparison may be facilitated, and it is quite evident that the wear and tear of capital invested in the transportation plant must be taken into account through some uniform method. If the wear were plainly visible each day of the plant's use there would be little question as to the propriety of the charge being included regularly in the accounts, but because the plant is maintained in a state of operating efficiency there are many who do not see the necessity of charging depreciation until some part of it fails, either through accident or because mechanical construction is not in harmony with other parts of the plant and it consequently no longer fulfills its purpose and has to be replaced. It is, however, manifestly unfair that the revenues of to-day should be charged with the whole loss which has been going on during past years, and as depreciation is inseparable from the operation of plant, good accounting demands that it be provided for as it occurs, as closely as this can be accomplished.

I do not think it necessary for me to present arguments to my fellow public accountants as to the necessity of promptly taking into account depreciation of capital, neither do I think it would be necessary to present any very extended argument to the accounting officers of the railroads, for I believe that any one who gives the matter careful thought will agree to the principle of providing for the loss out of the revenues earned in the period when the loss is occurring. An opinion expressed by one accounting officer, in an article published in the JOURNAL OF ACCOUNTANCY, was to the effect that if the requirement of the Commission had been established in some year other than the past one, which has been full of difficulties for the railroads, there would have been little opposition to it. It is a curious feature that the opposition to the inclusion of the charge comes from those who operate the railroads and represent their owners and are therefore interested in maintaining tariffs rather than from those who use the service of transportation and are interested in having tariffs reduced.

There are many methods of dealing with this question and some of our members have already expressed their views as to how the matter should be dealt with in the accounts. My own belief is that the instructions as at present issued, in respect to equipment, are sound, provided the railroads base their annual rates upon tables of experience rather than upon arbitrary decisions. If the life is determined by taking the average period between delivery and retirement of a large number of cars, then I think the basis will be as safe and sound as the calculations of the actuaries of the life insurance companies. The constant expenditure for up-keep and the extraordinary expenditure for overhauling will all have had their influence and effect in determining the average life so arrived at. It may be advantageous to separately determine the average life of particular classes of equipment or equipment solely engaged in a particular kind of traffic, and there is little doubt but that whatever rates are adopted in the beginning, experience will lead to revision of them from time to time.

The suggestion that extraordinary repairs or replacements should be charged against the reserve for depreciation appears to me as a tendency to mingle two separate elements. If it were

practicable to determine the total amount required to be expended for repairs during the life of the equipment, then that amount might be equally distributed over its whole life and we would not have such a condition as confronts some railroads to-day when much of the equipment is crippled and the management does not undertake the repairs necessary to put it in first-class condition because of the effect upon their operating expenses while revenues are low. The plan has been adopted in other lines of business of raising a reserve for extraordinary repairs in addition to the reserve for depreciation, and setting the amount up against the time when it shall prove necessary or expedient to incur such expenses, and I believe this plan could be successfully adopted in relation to railroad equipment. The matter of the equitable distribution of the cost of repairs should not in my judgment be entangled with the matter of depreciation charges.

The question of depreciation is a vital one and the Commission has at present made formal provision for it only in respect to equipment. I do not know what further plans may be under consideration. Already there has been a modification, by interpretation of the instructions now issued, so that those companies that wish to provide for depreciation in other parts of the property may do so by advising the Commission of the accounts to be kept and the plan to be followed. The element of depreciation exists in all or nearly all parts of the physical property and I look forward to the time when systematic and complete provision will be made for it.

As public accountants we are interested in seeing that the interests of bondholders and stockholders are protected in corporation accounts and it follows that so far as we are able, we must see that the capital invested is held intact before any profits are stated. There are, of course, other points of inquiry but I will refer to two which it seems to me have not had sufficient attention given to them. One is the provision for the various classes of claims, and the other is the proper inclusion of these and other items of expense in the accounts of the periods to which they belong.

You are aware, no doubt, of the vast number of claims for loss and damage and overcharge which arise when railroad traf-

fic assumes any considerable volume. All these require investigation and many of them by more than one railroad company, so that considerable time is necessarily consumed before final adjudication is made. Methods adopted in late years have done much to simplify and hasten the final determination of these traffic claims, but little has been done with respect to charging them into the periods when they were incurred. The usual practice is to charge them in the period in which they are vouchered or finally passed upon, the result being that the revenues of a given year bear the burden of expenses or deductions of the revenues of prior years. It is ordinarily assumed that the overlaps of one year will about offset the overlaps of the next, but little if any effort is made to determine whether they offset each other and seldom is any provision found in the balance sheet for the unvouchered or unpresented claims at the close of the fiscal year.

An average relationship can be established between the amount of these claims and the volume of earnings, and an estimated liability set up for each year which would be charged with the claims when settled. The percentage of revenue thus set up as a liability would vary according to experience and a knowledge of traffic conditions. It is, however, more creditable to over-provide and have something to return to the accumulated profits than it is to under-provide and have to burden a succeeding year with the losses of a prior one. It is always more satisfactory to learn that profits are larger than calculated rather than smaller, and I believe a policy that leads to this result is more just to the security holders.

There is one class of claims which arises through the operations of a railroad which are far more difficult to deal with fairly, namely, the personal injury claims. The liability under many of them is quickly determined and settled, but in a vast number there are many elements which contribute to the determination of the final amount to be paid. Many claims are not filed until after the accounts have been closed for the year. I have however, much faith in the guidance of past experience, if the records of it are carefully analyzed, and if as soon as advice is received of probable claims, an estimate is made, based upon the records of similar cases, and the expense taken into account, the result will, I believe, not be far from accurate. These

expenses are in the nature of a hazardous loss, the same as loss by fire, and it is possible that a plan for insurance against them, either wholly or partially, would prove to be very satisfactory.

It is not hard to understand the difficulties of providing in a railroad business for all expenses in the period during which they are incurred, particularly when accounts are stated monthly. On the other hand it is sometimes surprising to see how fully the expenses can be provided for if the expenditures are fully analyzed and estimates made for expenses known to exist but the exact amounts of which are not known at the time of closing the records. If the result obtained is to be accurate, the accounts of each fiscal period must be rendered as complete as possible and one period must not benefit from or bear the burden of another beyond the unavoidable mimimum of these conditions.

Railroad accounts are the means through which the Interstate Commerce Commission is to be informed as to the cost of transportation. In order that the information shall be sound, the accounts must be accurate and intelligibly stated. To obtain these results we must have a uniform classification, a clear understanding of the distinction between expenditure properly chargeable to capital and that chargeable to revenue; and we should have the assurance that all charges necessary to the full maintenance of the capital and the production of the revenue have been included before final results are stated.

Discussion.

Mr. Homer A. Dunn, C.P.A. (New York).

Following his assumption that we are familiar with the Interstate Commerce Law, and especially with the twentieth section thereof, Professor Adams says:

"I shall assume also that you have a sympathetic appreciation of the general purpose which actuated Congress when it con-

ferred upon the Commission authority to exercise so far reaching and comprehensive a line of influence."

In this statement Professor Adams leads us up to consideration of the political, economic, and social phases of one of the largest questions before our people, but he leaves us at the threshold when he informs us that these aspects of the subject "would seem to lie outside the sphere of discussion by an association of accountants."

It is not difficult for those who observed closely the course of political operations and events, prior to and during the struggle with the Hepburn Act, to believe that Congress was actuated more by the persistency of the Commission in seeking larger powers, and by political considerations associated with the party lash, than by consideration of the National welfare. When legislation is brought about by such means there are likely to be many reasons lacking to justify the enlistment of our "sympathetic appreciation."

The desire of the Commission for power to regulate and examine the accounts of the railways could not have grown out of misrepresentation or falsification in the returns made by them under the already established uniform system of reports, else we might find some mention thereof in the Commission's reports to Congress extending over a long series of years.

The Commission lost an opportunity to blaze a new trail when it directed its activity and influence along the line of the established precedent in government organization. Any other course, however, would not have served political ends. Instead of seeking statutory provision for the organization of a large department of the government, with its attending expense, the Commission might have found an equally reliable means whereby to satisfy itself as to the correctness of returns made by the railways without entailing upon them any greater expense than they have had to incur and without involving the government in additional expense. As to the means, let me call you attention to the large number of railways already requiring the services of public accountants for the satisfaction of investors and to the dual purpose which such services might be made to serve.

By reason of his relation to the agency of the government charged with the enforcement of the Act to Regulate Commerce, Professor Adams is peculiarly equipped to carry us into the

domain of the future as regards its aims and purposes in the regulation of railway accounts under its vast and singular powers. Neither in his discourse nor in anything that has been promulgated by the Commission, do we find any intimation as to whether it is contemplated to stop at the administrative and the asset and liability accounts, or whether the scheme will be extended to cover the means and methods by which the data shall be gathered and carried into those accounts and the organization of the forces whereby the work shall be performed. In other words, there has not been indicated the extent to which it is expected to curtail the privilege of exercising individual intelligence.

Consider the situation of the railway auditor under a comprehensive, uniform system from which there may be no deviation! Will he not become a mere human machine, with all incentive destroyed in him for initiative or creative work? Will he not lose that standing and influence in railway circles which he has attained through industrious striving? Will he then be able to derive benefit from the interchange of ideas with his contemporaries? What will become of his efficiency in respect to economy in the keeping of the corporation's accounts? As to the latter, the effect will be far-reaching. It should be remembered that the keeping of accounts embraces the freight and ticket agents and the division offices.

Under a uniform system all railways must be measured by the needs of those involved in the most intricate situations and the largest problems. I ask you, gentlemen, whether any of you have ever devised, or think you might succeed in devising, a system of railway accounts which, if installed on all our railways, would secure to each a proper degree of effectiveness in all respects. The situation, remember, is not the same as though the government owned the railways and they were operated as one under the administrative control of a commission or other central authority. yet we are drifting in a direction which differs from that only in respect of ownership and financial responsibility.

Hitherto, gentlemen, our country has been noted for its encouragement of inventive, creative, and directive genius, but the law under discussion, and the remarks of the distinguished gentleman who is doing such a large part of the work involved in its execution, foreshadows a condition that must ultimately arouse

most vigorous protest from every citizen who is opposed to political and commercial socialism.

By knowledge gained from experience, you know that a system of accounts does not consist wholly of nomenclature and classification, but involves methods and processes; also that it was not necessary to impose a uniform system of accounts in order to accomplish uniformity in reports or provide a basis for intelligent examination. Could there have been some question in the minds of the framers of the Act that it might not be possible for the Commission to secure intelligent examination at all times without it could establish the condition of absolute uniformity? Would we welcome such a condition in our practice? By no means! Its creation would sound the death knell of improvement and progress, in the science of accounts.

It is not conceivable that the community at large can be benefitted, or the commercial or financial conditions improved, by means of reports of accounts in such extensive detail of operating expenses as are prescribed. In the experience of one of our trunk lines, whose detail of operating expenses for the last year involved one hundred and six out of the one hundred and twenty-three accounts, forty-eight thereof represented less than one-half of one per cent. of the total. If such account keeping be not hair-splitting you may be able to give it a befitting definition of milder form. It would appear that the railway accounting officials who assisted in the revision and enlargement of the classification of operating expenses allowed themselves to be led away from consideration of what would be of practical value to the railways. Possibly their vision was obscured by sophistry with regard to some future relation to the government.

We have not been advised of any benefits or value to be derived from a correct statement of the totals of the whole country of these highly refined operative accounts. On the contrary, many railways are involved in work and expense that they would like to avoid. This extensive statistical detail recently has been rendered ineffectual as to totals for the whole country, by the promulgation of a condensed classification of operating expenses for the smaller roads in which only forty-four accounts are prescribed. Question naturally arises, therefore, why all railways are not placed on the same basis, with the privilege of carryng such sub-division accounts as each may desire. Instead, however,

we are confronted with two systems of uniform reports—one for the larger railways and one for the smaller railways. Doubtless special provision for terminal and switching roads, and for other situations, will follow.

In the first illustration, on the question of totals for the whole country, Professor Adams directs our attention to Capitalization and says "it is essential that a uniform definition be given to the phrase 'capital outstanding'". The fact is ignored (not unusual) that the outstandings of capital stock and the various representations of secured debt, in the hands of other than railways as investors, do not reflect the entire capital employed. What about the accumulated surplus which the stockholders have contributed? Any who may say that the capital has not been increased thereby labor under a delusion. We accountants have a better understanding, because we know that profits left in a business constitute an increase of the capital, whether in the case of a sole proprietor, in the case of a co-partnership, or in the case of a corporation. In the total for the whole country, which comprehends the deficits, this form of capital amounts to approximately ten per cent. of the entire capital stock, and to considerably more than this ratio after eliminating from the latter the holdings of railway corporations, as must be done to establish a proper comparison. The demagogue reads somewhere that some railway has declared a special or extra cash dividend, or a stock dividend, but he never looks into the question of the average rate of dividend for a long period of years computed on the basis of the stockholder's entire capital in the business, or into the question of whether the stockholder is obtaining in the form of capital stock representation of his capital interest therefore expressed in a different form, viz.: a book account without a certificate; and why? For the sole reason that the result of such inquiry or research would not serve his purpose to inflame the public mind and turn it to his own aggrandizement. Our political employees must, in large degree, respond to the demands of that inflamed mind. Therein too often lies the incentive to Congress.

We can not quarrel with any well directed effort to arrive at the capital interest of the investors in railway properties, exclusive of the railways themselves, but a conscientious effort on the part of public officials to educate the public mind to a correct under-

standing of what really constitutes capital would be quite as welcome.

That which Professor Adams terms "the imperative necessity of holding in mind the final combinations of the facts reported by individual carriers when devising a system of accounts," bears a closer and more distinct relation to uniformity in reports than to uniformity in accounting system, or in methods and means employed for collating data.

In the next illustration we are brought to that section of the administrative accounts which comprises the detail of operating expenses. Distribution of the consideration paid by one and received by another railway, for the joint occupancy and use of property and facilities and joint services in connection therewith, to Income, Maintenance, Transportation, and General Expenses, is not open to question provided it is carried out in such a way as to give value to the primary, or detail, accounts for purposes of administrative or supervisory judgment based on comparisons and statistical ratios and averages. Dependable data and statistics for such purposes can not be obtained readily unless the representative primary accounts are made to show the actual cost of each kind of expense resulting from the railway's revenue producing service. Under present conditions such expenses can not be obtained without redistribution of the joint facilities debit and credit accounts.

The theory is that the primary accounts especially established for joint facilities debits and credits will clear themselves in the totals for the whole country, but it is well known that such a result can not be attained in actual practice owing to the fact that the debtor railways can not always act concurrently with creditor railways as to either the month or the year of entry in the books. It would be interesting to know how in the scheme of aggregation the division of statistics and accounts would dispose of the inevitable difference between the Dr. and Cr. accounts. Even if it were possible to have these accounts clear themselves in the totals for the whole country, the disadvantages to the individual railways would still exist; whereas, if the debits and credits were made to the representative primary accounts the resultant aggregates would be the same as under the other plan.

In a situation where there are considerable fluctuations in the

transportation requirements of the tenant railway and not corresponding changes in the requirements of the landlord railway, the effect of this scheme is to reflect such fluctuations in the representative primary accounts of the landlord railway, counterbalanced by its joint operation Cr. account, and not to reflect them in the representative primary accounts of the tenant railway, but in its joint operation Dr. account. The accounting should be with regard to the public service costs of the latter and not the former.

In the application of this so-called principle to revenue we find it prescribed that the railway performing switching service for another shall credit switching revenue account and that the railway receiving the service shall charge the compensation to freight revenue account. Here is departure from the principle that that which constitutes revenue to the party rendering service represents expense or cost to the party receiving it. In the scheme of aggregation, obviously the result will not be to arrive at the total freight revenue for all railways in the country; neither is proper regard given to the question of the tariff revenue assessed against the public by the individual carrier, nor to the question of comparison in the case of one carrier having extensive delivery facilities and another having large disabilites in that direction. Other features are the complication of statistical data on commodity revenue and the distortion of revenue comparisons as the result of removing delivery disabilities by capital outlay.

In the next illustration we are referred to the accounts representing outside operations. Viewed from the standpoint of accounting principle, and considered in relation to the effect produced in the accounts of railways operating transfers in New York Harbor and elsewhere under similar conditions, you will find food for thought, in the provision that lighterage or other transfer arbitraries shall be taken out of transportation revenue and set up as revenue from an outside operation. Obviously, the effect is not to express in the primary revenue account of any individual carrier, or in the totals for the whole country, the full revenue received for the fulfillment of the transportation contract which recognizes arbitraries only when they constitute an addition to the tariff rate.

Let me call your attention to the fact that the revenue arbitrarily established and the expense incurred both arise from

performance of a carrier's function to receive, transport, and deliver goods and persons; also to the fact that the prescribed eliminations from revenue and expenses are not counterbalancing, so that in this so-called outside operation there will be established an apparent gain or loss that is purely fiction.

Disparities as between individual carriers will be unavoidable on account of variations in the arbitraries, which, even in the same district or location, will, or should, be made according to the extent of the transfer service. We may consider, in this connection, the marked difference in respect of harbor terminal transfers that exists at New York City as between the Pennsylvania Railroad and the New York Central Railroad. Instead of injecting into the revenue accounting an arbitrary which does not enter into the relations between carrier and shipper, would it not be better to have the accounts of freight revenue, passenger revenue, and operating expenses, represent the whole of each and the revenue statistics reflect individually, and in the totals for the whole country averages based on the entire distance of the service performed? There has been introduced, of course, the same complication of statistical data on commodity revenue as in the case of switching charges paid on account of physical disability.

Inasmuch as it appears to favor consideration of the entire capital ventured, we may view with satisfaction the trend of thought indicated by Professor Adams in the case of abandoned property.

A proper understanding of the righteousness of stock dividends, or the issue of interest-bearing securities, to cover the investment of profits would have served to create a condition of which, it is fair to assume, advantage would have been taken quite as readily as the so called secret reserves. These should not be condemned unless it can be shown clearly that they have worked to the injury of those having to depend upon our public utilities and unless an equitable substitute can be offered.

Aside from questions of economic principle, and of merit in the respective theories, the motives underlying the so called secret reserves should be considered. Among these may be mentioned fear on the part of boards and managers of demands by stockholders for dividends in disregard of inability to provide for capital needs by other means than retaining in the business the profits earned thereby, or in disregard of the cost of procuring

capital by other means, or in disregard of the risk of impairing the value of their investment. Market values are too largely gauged by current dividend rates. This fact offers a reason for the stockholder's position, especially if he be a sepculator, or contemplates realizing upon his holdings. Under such conditions, it is but natural that boards and managers should seek the means for conserving the interests of the property which is least likely to incur opposition to their conservatism. Certainly such conservatism has not been inimical to the public welfare.

From an accountant's point of view, criticism may be made of the rules prescribed by the Interstate Commerce Commission concerning depreciation of equipment, because of their inflexibility, or lack of provision for adjustment to the fluctuations in the public service activity of the carriers. In other words, the rules provide an immutable fixed charge in operating expenses without regard to the employment of the equipment in the production of revenue. We recognize, of course, the desire of the Commission to establish a basis of regularity as opposed to one of expediency, but it is impossible to view with favor departure from the principle of relation to production which is recognized in the genesis of operating expenses.

Fundamentally, in dealing with depreciation of equipment, we have only to distribute the cost over a period of time which represents the average life. How this may be done in relation to the activity of the equipment and within the period of average life is the important question, because adjustment to the fluctuations in the public service activity of the carriers is dependent upon its solution. Experience is the guide to the measure of depreciation. If we reduce the average life experience to average service experience in both days and miles, do we not find a basis for solving the question through the economical means of utilizing data necessarily prepared for other purposes, viz.; the days of service of equipment on the lines of other carriers, and the miles of service of equipment at home. All we need further is the rate per day based upon the average number of days of activity within the period of the average life and the rate per mile based on the mileage of activity within the same period. The accounting application of these factors would be to charge the income flowing from the use of equipment by other carriers on the basis of one set of factors and to charge maintenance of equipment on the

basis of the other set of factors and to credit the sum to the depreciation reserve account.

The entire absence of provision for accounting control over the equipment investment account and the so called replacement funds, which are reserves and not funds, is most noticeable, particularly in the permission given to charge against the reserve account the cost of new elements subject to depreciation over varying periods of time. We are not told that the equipment investment account should be sub-divided according to the elements subject to depreciation for varying periods of time, or that the reserve account should be sub-divided correspondingly. Nor are we told that an asset which actually disappears by retirement from service, through casualty or otherwise, should be written out of the investment account against the depreciation reserve to the extent of the amount carried therein, to profit and loss account to the extent of the depreciation accrued prior to July, 1907, or some other account making provision therefor, and to the renewal account of operating expenses for the residue or remainder less the salvage. Hence, no requirement has been imposed that the investment account shall represent at all times the cost value of the equipment actually in existence and upon which the depreciation must be calculated, or that the reserve account shall bear a distinct relation thereto. If co-ordination were established as between the investment subsidiaries and the reserve subsidiaries, the latter would mark the point at which depreciation charges should cease, by the accumulation therein of the balance of cost remaining in its investment co-ordinate, and that would be the termination of the period of estimated average life. In contrast with statistical compilations, such accounting would provide a controlled and, therefore, reliable record of experience for use as a basis of judgment in estimating average life on a new equipment, but not as the sole basis because new conditions would have to be considered. The question appears, therefore, to have been considered solely from the standpoint of statistics, disregarding the need for and advantages of accounting control.

The system of uniform accounts makes the same disposition of loss from obsolescence as of loss from casualty. Does obsolescence, like casualty, occur in an instant of time, or does it come on apace in that evolution which, fortunately, has been a constant

factor in our industrial and commercial progress? If the latter, it should be averaged on the basis of past experience and present judgment of the future, the same as depreciation.

Situations have arisen, and others will arise, making it difficult to differentiate the cause of retirement from service as between physical decay and obsolescence. Let us, therefore, call for that simplification which will come from the inclusion of both depreciation and obsolescence in one general average, leaving to be excluded from the computation of average life only that equipment which is retired prematurely as the result of casualty.

Mr. J. S. M. Goodloe (Ohio): Mr. President, fellow members and guests: I am at a little bit of a disadvantage compared with the gentleman who preceded me, in that I have had almost no opportunity to prepare what I would like to say beyond making some rough notes. Mr. Adams' paper, however, seems to me to get right down to the three salient points when he says that the questions appertain to the following points:

First, inclusion of depreciation in operating expenses.

Second, the treatment of abandoned property.

Third, the propriety of secret reserves.

Now in his discussion or treatment of those three points, as I understand it, the ultimate outcome of the first two items, that is, depreciation and the treatment of abandoned property, will result in an ultimate increase in the charges against income, which are included in the income, or expenses, or deduction, as the case may be, you can condense it all under the one heading—Surplus. This will cover all items which have not heretofore been included according to general practice nor have they been required to be included under the direction or instructions of the commission. The third item, relating to the so called secret reserve, he criticises or comments at least, on what has been to a large extent the practice of many roads in charging off against their income, betterments and additions to the property during the year.

I think you will all agree with me that the railway companies of this country in the past have been more or less at sea as to depreciation. Some of the larger lines have had remarkably good records as to the rate of depreciation and replacement. Others have been more or less estimated, but those roads which have handled the so called secret reserve, charging it off against

income, have attempted in that way to provide for depreciation, or to charge such items off in lieu of depreciation. It seems to me that the comments on those three subjects in Mr. Adams' paper, are not altogether fair to the carrier. That is, in two cases they should charge more, and in the third instance they should charge less. If the question of depreciation can be ascertained, or a reasonable rate of depreciation on the property, not alone equipment, but on other classes of property on which depreciation is known to exist, it should be charged, some provision should be made for abandoned property, and then all additions of property added to the cost of the road, I can vouch that you will arrive at some point, but until that is done, comment on the practice which, I believe has been a general practice, charging off new property to operating expenses, it seems to me is unfair. We will all agree that the value of the comparative results promulgated by the Commission have been of value to every railroad, and have in many ways enabled one road to reduce its expenses by comparison with the results obtained by its neighbors, taking into consideration the physical conditions, and in that respect the present classification of expenses goes to some extent further than the old classification, but to step aside from the results from operation, revenue, and expenses, to consider the statement of the financial condition in the tentative form suggested by the Commission, but not as yet made mandatory, there is a great deal to be said.

That proposed balance sheet provides for the classification of the assets into those property accounts capitalized, or created through the issue of capital or mortgage debt, and additions to the property account through income, in such cases as material and supplies. If that balance sheet can be accurately stated for all roads, it will then be possible to ascertain just what is represented by the surplus. The property created through capital will of course exactly offset the amount stated as the capital and mortgage debt. That only leaves to be considered the question of the surplus. The other items on the balance sheet of additions to property created through income are the first items. The second is material and supplies, and the third is the net current assets or liabilities. Those three of course must counterbalance with the surplus. I have recently had some little experience in trying to ascertain those conditions for a road in operation for

a great many years, thirty years or more. The old records are not available. In the old days prior to the existence of the Inter-State Commerce Commission, the records were not as clearly kept as now. How then can the Commission require to state positively what property was created by the issue of capital, and what by the surplus, once we begin with an absolutely arbitrary figure? If we start off with an arbitrary figure of what use will any subsequent results be? We are starting with an estimate, and consequently we will always have an estimate unless we come to that point, much discussed, the physical valuation and the cost of replacement to-day, as compared with the capitalization. Personally I am one of those who believe that the railways of this country to-day could not be replaced for their capitalization. Of course there are other views. If, however, the Commission shall promulgate its proposed balance sheet, I would consider that it should be, and probably will be, a matter of congratulation for public accountants, in that they will probably be the ones who to a large extent be called upon by the railroad companies to assist in ascertaining as accurately as possible those first figures as required by the Commission.

Consistently carried out, the proposed balance sheet gives valuable information as to the source of funds from which the accounts have been created, and it also shows a brief and condensed statement of surplus invested in road, equipment, and other assets; that amount invested in material and supplies and other miscellaneous assets, which has gone into the current assets, and which, when sufficiently liquid, is available for distribution to the stockholders under the direction of the directorate.

Under the heading of secret reserves, Mr. Adams refers to additions to property, but he makes no reference to other items which I think most of us have usually considered as more properly definable under that heading. In fact, it is a very serious question as to whether or not additions to property which are charged off, and at the time considered as a charge against income in lieu of depreciation, ought properly to be considered as a secret reserve. If they are charged in lieu of depreciation, they are not a secret reserve. It is only a partial condition.

The three matters referred to by Mr. Adams so closely correlate that they may be practically considered as one question.

Is not the main thing to be considered whether or not the accounts show as nearly as possible the actual cost of operation, the actual revenue, and true financial condition?

THE PRESIDENT: This interesting subject is at your disposal now under the five minute rule, by either our members or our guests.

MR. CHASE (Massachusetts): I have one point which, perhaps, might be brought up, throwing a sidelight on what will probably be the experience of the railroads as public service corporations, following along lines which have developed in control of other public service corporations by State commissions, particularly in Massachusetts practice. Massachusetts has the reputation of being careful and conservative in the handling of public service questions, and probably it is the first State in the Union to undertake what has proved to be effective control of public service corporations, notably in her railroads, and in her gas and electric light companies, as well as in her control of waterworks plants, particularly those municipally owned, while now the State is going into the control of telephone and telegraph companies. In each of those methods of control, through legislative acts and executive boards, questions of "depreciation," must necessarily be important ones. In the experience of the gas and electric light commission, the regulation of depreciation charges was not made mandatory in any way in the accounts of private companies. The gas and electric light commission was established by a special legislative act in 1885. After experience of some years, depreciation at a fixed rate of five per cent. was required by the commission as a charge against income by electric light plants owned by municipalities. This five per cent. is figured on the basis of the property value.

In contrast with the Inter State Commerce Commission we may give attention to the experience which is now being developed by another United States department, namely, that of the Bureau of the Census, which has been considered during the past year by a committee of this Association, whose report has been handed in to-day, and as this report applies to the questions now before us, I desire to make one or two quotations from it. First, we might say that the method which the United States Census Department is endeavoring to carry out in relation to

unifying or standardizing the accounts of waterworks throughout the country is an entirely different one from that of the Interstate Commerce Commission. The census department has no mandatory power. It can act only in an advisory capacity. It does so act, and it has gone to the extent of laying out a uniform system, standard system of reports for waterworks, which it is to be hoped will be ultimately followed by the gradual adoption by waterworks of a standard and uniform system of accounts, although it has no compulsory power, it does go to the extent of defining the terminology in connection with waterworks accounting particulars concerning depreciation.

I quote from portions of the report as follows:

"*Repairs and renewals distinguished.* Repairs and renewals are general designations for all mechanical changes effected in buildings and other structures or in machinery or equipment, which have as their object the keeping of such buildings, structures, machinery and equipment in a condition suitable for use, or the restoring of the same to a sound condition after decay, waste or partial destruction; and for the substitution of new buildings, structures, machinery, and equipment for old ones which have become worn out or obsolete. Repairs are changes which have as their primary aim the maintenance of buildings, structures, machinery and equipment in as good and serviceable condition as, at the time of their acquisition or construction, they were expected to be at the specified time of repairs; while renewals are changes which have as their primary aim the restoration of the buildings, structures, machinery and equipment to a state of condition as, or better than, that existing at the time when the displaced property was acquired or constructed."

Accountants who have had practical experience in designing systems or forms of report, into which depreciation enters will appreciate the difficulty, as well as the importance, of a definition making the distinction between what should be charged to ordinary repairs, and what should be charged against depreciation reserves.

In the recent work in Massachusetts, in relation to telephone and telegraph companies, which is now extending all over the country, through action taken by the American Telephone and Telegraph Company, the question of setting up a

subsidiary depreciation reserve for each class of constructive asset has been accepted, and as that is worked out in practice, the result will be exceedingly interesting and very valuable. The application of these same principles in the handling of depreciation, to all classes of public service accounts is only a question of time. It must come. These subsidiary divisions of assets must be made, the depreciation reserves must correspond, charges must be made against the depreciation reserves, and the debit or credit of each reserve carried forward for a series of years, until sufficient experience has been had when the portion annually charged off for depreciation can then be decreased or increased in accordance with the requirements shown thereby.

"*Depreciation.* Depreciation is a general designation of the gradual diminution in value which is caused by wear, decay, displacement, or obsolescence in the value of buildings and equipment, and of the sudden diminution which results from fire or other destructive forces. It is never actually or relatively the same for any two establishments, even of the same industry. For this reason it is impossible to frame concise general rules for making allowances for depreciation which will not in their application be attended with a large margin of possible error."

In order to bring about a standard basis for depreciation charges in waterworks as a starting point the Bureau of the Census has gone so far as to state certain conclusions in regard to the probable "life" of the following classes of property:

"For horses, carriages, automobiles, and laboratory fixtures and meters, ten years; office furniture and general equipment, fifteen years; boilers, steam pipes and filtration equipment, twenty years; engines, pumping machinery and wood pipes, twenty-five years; masonry of filtration plant, cribs, iron water pipes, intake pipes, fire hydrants, standpipes, and buildings, fifty years; reservoirs, tunnels and aqueducts, one hundred years; and for the water system as a whole, fifty years."

"The depreciation which affects the value of a water supply system, a record of which should be included in the property account, is of two distinct classes—physical and functional. Physical depreciation is a lessening of the value of the property, equipment, or construction due to decay, wearing out, or destruction, while functional depreciation is a lessening of value due to obsolescence of property, equipment or construction."

That distinction is an excellent one, admirably put, and one which may well be taken into consideration in our present discussion.

Mr. William Plender, F.C.A., (London): I am not altogether free from embarrassment in addressing you on the subject under discussion, from the fact that the methods of treating railway accounts and the questions arising therefrom differ as between our respective countries. Whilst, therefore, my experience of railway practice in Great Britain may not entitle me to speak directly on the subject before us, it may not be considered without interest if I indicate in general terms the method of treatment of somewhat similar questions in the accounts of the British railway companies.

At the present moment, we have a Royal Commission sitting, which has been appointed to consider, *inter alia,* the existing forms of railway accounts, and, if thought desirable, to make recommendations thereon in the direction of unification and precision of record. That commission has almost completed its labors, and it is not unreasonable to suppose the result will be that in the future half-yearly accounts submitted to the stockholders of the various railways there will be found such increased detail and uniformity of presentation as will enable more reliable comparisons to be effected than have been possible heretofore. At the same time it must be stated that no direction has been given to the commission to consider the subject of depreciation, nor will the question be dealt with by that commission.

As you are probably aware, it is not the custom of British railways to provide for depreciation *per se,* as the only statutory requirement is that the companies shall conserve the capital, and maintain their assets intact by the renewal and replacement of wasting properties at the expense of revenue. As a consequence of this it is necessary that before the distribution of profits the officers responsible for the upkeep of the assets shall certify that they have been maintained out of revenue in an efficient condition.

In recent years, moreover, a desire has grown up to go further than this legal obligation, and to deal with the question on more generous lines. Engineers have been consulted as to what, in their opinion, should be set aside each month to thoroughly

maintain the particular assets under their control, and the amount decided upon is charged against revenue in the operating expenses and credited to a renewal account. In many of the more important companies, therefore, credits in this respect have been accumulated amounting to considerable sums, and which, whilst not so designated, are in effect Depreciation Reserves. A further important factor in this question is that in the process of renewal, assets of greatly enhanced value are frequently substituted for those replaced without in many cases any corresponding increase being made in the capital account.

Another practice which is followed by many lines is that all items under a certain specified amount, although from their nature they might be charged, legitimately, to capital, are yet written off to revenue. While this may not be correct theoretically it is undoubtedly sound from a financial standpoint, and has not, it may be safely asserted, worked to the disadvantage of the companies concerned.

It is, of course, easy to talk of depreciation of assets, but in the course of this discussion I have not yet heard any reference to the appreciation of assets, and if an effort is to be made to put the accounts of railways on what may be termed the basis of present value, the appreciation, for example, of large surplus assets which many companies hold, that were bought out of revenue, should not be disregarded.

You know probably that in England the auditor has to certify that the dividends proposed to be paid are bona fide, justifiable, and I think that, on the whole, the dividends which the English companies pay are properly earned and arrived at on a conservative basis. Whilst it is probable, I think, that certain of the companies are at present suffering from a too generous distribution of profits in the past, I believe that this attitude has now been largely corrected, and that sincere efforts are being made to prepare the accounts on thoroughly sound lines.

Whatever new forms of accounts may be prescribed, and uniformity in England is, as a principle, desirable, we shall never be able, I feel sure, to introduce rigid rules in regard to depreciation.

Mr. May (New York): It seems a pity to let this discussion drop so soon, and as no one else seems to volunteer, I will try to start something which will give somebody else a line.

In the first place, in Mr. Adams' paper, I think we might emphasize the point made by Mr. Dunn, that we don't quite see the great value which is going to result from the subordination of the accounts of individual railroads to the requirements of one statistical abstract for the country. Some people may be glad to have a condensed statement of operation of railroads in the United States, but to railroad investors in the United States it seems to me that individual statistics of individual roads are infinitely more important, and that if anything of considerable value in such statistics is sacrificed for consistency in combined statement, the commission steers on a wrong line.

Then on this question of depreciation. Mr. Plender has raised the question of appreciation as opposed to depreciation. Now I think that is one of the great faults of the word " depreciation." If the expression, " expired outlay on productive plant," adopted by Mr. P. D. Leake, in his valuable paper, or its equivalent were used, the argument of appreciation offsetting depreciation would not often be urged. I don't think any of us would attempt to taken into operating accounts by way of offset to what is called depreciation or otherwise such things as appreciation in value of lands. There is no possibility of realizing an appreciation of land. It is a capital profit that does not enter into operating expenses.

Mr. Teele says that he does not agree that any kind of maintenance expense should be taken into consideration in connection with depreciation. I think nothing has so much impeded the adoption of depreciation schemes as the insistance on a rigid appropriation for depreciation aside from what has been spent on renewals and replacements. If a man has been in the habit of spending say, five per cent. on the value of the property in repairs, and the accountants persuade him to write off five per cent. for depreciation, and then if in a given year he has spent for renewals such a sum as to make the expense for repairs fifteen per cent. of the capital value, you can not persuade him, if he is a man of sense and not of accounts only, that it is just as essential for him to write off another five per cent. for depreciation, as when his repairs were only five per cent. I admit it is difficult to draw a line between repairs and renewals, but I think it much more important

that you should not attempt to separate renewals from depreciation. Every one knows the difficulties encountered in separating renewals from repairs. On the border line there are expenses very difficult to allocate, but it would seem that it ought to be possible to make some general rules for distinguishing between repairs and renewals. Until you have done so—as long as you distribute renewals in the same way as repairs, it seems to me that depreciation very generally is limited to the question of obsolescence. Any locomotive engineer will say that a locomotive can be renewed in parts indefinitely, and the only reason a locomotive is retired from service is because it is unfitted for the traffic. Now if you distribute the original cost of the locomotive over the whole period of its life, you are only providing for obsolescence. The engine probably is rebuilt two or three times before it is finally retired, and you may be providing for depreciation through operating expenses, but do not think you provide for wear and tear as it occurs; that is charged off to operating expenses when the necessity for it occurs.

Another point in Mr. Teele's paper, that is, the charges for claims. He does not mention one offset which exists in a great many roads, where freight earnings are taken up on the received basis. There is an asset there not taken up on the books which is much more than sufficient, especially in the case of long railroads, to offset the amount of claims unsettled. I think also, while there is much force in what Mr. Teele has said, we must admit that reserves for claims do lend themselves to manipulation between years, and we should be very guarded in advocating them.

I think strong exception should be taken to the practice of carrying freight claims paid as an asset until the proportion payable by other roads can be determined. It should not be difficult to ascertain the approximate proportion of such claims chargeable to the road which is carrying them, and that proportion should be written off immediately to operating expenses.

I am not yet convinced as to the advisability of attempting to deal with unliquidated claims, either for loss of freight or personal injuries, on a reserve or arbitrary basis.

There is one point in connection with Mr. Adams' paper, which I do not think has gone as far as it will go, and where

I think accountants should take an active part in following up the future development. There seems to be a disposition on the part of the Interstate Commerce Commission to formulate accounts for allied industries, including steamboats and various properties of that sort, as nearly as possible along the lines of the railroad classification. Mr. Adams has had a certain amount of experience with railroads through the Interstate Commerce Commission, but I think he has had very little with steamship accounts, and I think any attempts along those lines will be very unsatisfactory in their results, unless accountants can step in and endeavor to prevent the application of railroad ideas to steamship corporations, for which they are entirely unsuited.

A further point in this connection is where Mr. Adams speaks particularly of harbor charges, which he says have nothing to do with transportation by rail. I think that is a mistake. They have a great deal. In fact everybody knows that in the case of floatage in New York Harbor the amount that the harbor service gets is not fixed only according to weight or measurement, but is also dependent on the amount of the rail haul, and if you separate operations of that kind from railroad operations you are not gaining in value, or producing figures which mean anything at all.

Mr. Teele (New York): I think Mr. May misunderstood my argument as to the use of depreciation for repairs and renewals. The idea I had in mind was this, that if the life of equipment upon which depreciation is calculated is based upon the time between delivery and retirement it makes no difference how many times a locomotive may be rebuilt. The loss takes place between the amount paid for the locomotive and the amount ultimately recovered. We pay $10,000 for a locomotive, and that is rebuilt and overhauled (and I have seen expenditures of $12,000 and $15,000 on locomotives costing $8,000) that locomotive will ultimately go out of service, and it will probably go out of service at $2,000 or less. It stands in the capital account at $10,000. There is an $8,000 loss. If the $8,000 loss is spread over the life of that locomotive, no matter how much that may have been extended by continuous repairs, I can not see the justice of charging against the fund which raised that $8,000 any part of the repairs which extended the life of the locomotive. My plan is based entirely on the calculation between delivery

and retirement. It is not based upon an estimated life of ten, twelve, or fifteen years, but is based upon the experience of the actual life of locomotives and equipment, and I think the extraordinary repairs and replacements made on equipment can be provided by raising a fund for that class of expenditure, by charges against the operations of various years, so as to extend those repairs over the period it is earning revenue, and before its retirement.

In regard to claims, Mr. May has mentioned the fact that many claims are carried in suspense until the amount recoverable from other roads is determined. I have followed a process for a number of years which I have found very satisfactory, that is to examine the clearance of claims suspense account during the past year, and unless some marked change in conditions of traffic has occurred, a close calculation can be made of the value of the suspended claim account. I have been doing it for years and I do not think I have ever had a difference of over two per cent. in the value of a suspended claim account.

Personal injury claims I think it is almost beyond the human mind to estimate; they vary so in the amount for which they can be settled. The thought I suggested of being insured against such claims I think worth careful consideration. I know of no company which does it. It perhaps only shifts the burden of calculation from the railroad to the insurance companies, but it would shift that burden of calculation, and perhaps would make a very satisfactory way of dealing with this problem in railroad accounting.

Mr. J. S. M. Goodloe (Ohio): There is one matter which I have not heard discussed, and I would like to have Mr. Teele's opinion on it. This is a specific instance, if I may be pardoned for referring to a ruling of the commission on one subject. The carriers are required to maintain separate replacement accounts for separate classes—such as locomotive replacements, freight car replacements, passenger car replacements, while equipment is really divided into two general classes ,motive power and carrying capacity. According to the ruling of the commission, a fund created for replacement of locomotives, if not exhausted, may be applied to the replacement of freight cars. Isn't it just as consistent to say that the fund for the replacement of motive power may be used for renewing rails as well as for renewal

of carrying capacity? I would like an expression of opinion on that point.

THE PRESIDENT: That will be an interesting question.

MR. TEELE (New York): I feel that I have taken all the time that I can conscientiously take. I would like to have the opinion of some of these men. I think it would be in order for the chair to call on some of these men. We are here for the purpose of discussion, and I would like to hear from more of the members present.

MR. SUFFERN (New York): To answer Mr. Goodloe's question categorically I would say that there does not appear to my mind any special inconsistency in the rule which the commission has given allowing the use of any unused reserve set aside specifically for replacement of motive power, for the replacement of way and structures. We have not, in our practice, been obliged to be so very specific and restrictive as the commission now seems to require of all the railway accountants, and therefore it has been considered, I think, by us, and certainly it has been so regarded by the railway management, that any reserve fund set aside for the general purposes of replacements, might be utilized in any such manner which circumstances might require. It is so difficult to forestall or forsee just what interpretation the commission will give to its own instructions that if I were confronted with such a situation, I would be extremely reluctant to express an opinion upon it, but the theoretical inconsistency of applying any reserve set aside for the purpose of maintaining the standing efficiency of a railway, seems to be perfectly clear—that it is right to draw upon it for such purposes.

What Mr. Adams has said with reference to secret reserves has interested me a great deal. The larger part of our railways have not been sinners in that direction at all. They have not created or maintained any large reserve which has been chargeable against income, prejudicing the stockholder, but, on the contrary, they have been forced by the exigencies of their necessary development to call upon all sources of revenue to contribute as largely as possible to maintain the efficiency of the road, and to express those accounts clearly.

When a road arrives at a point where it can create a surplus account, and by that I mean an actual surplus account; when it

has at its disposal a fund on which it can draw in such a way as it thinks best, those managers, in the administration of some of the railways, have drawn upon their revenue, and have used it as the accounts described, and perhaps have added to their plant material features, and apparently have been quite justified in such action, because while the proprietors and stockholders may not have known the exact use of the revenue, yet at the same time have been heartily in concord in the improvement of the property, physically and otherwise, in which they are interested. Until this question was brought forcibly to our attention by the commission, few have criticised using the revenue or income for the improvement of capital accounts, because the only instances in which that has been done, to my knowledge, have been in such cases where the stockholders themselves have benefited to a considerable extent, and they have come to regard the improvement of property in which they are interested as one of the features which receive their commendation.

Accounting Practice and Procedure.

By A. Lowes Dickinson, C.P.A.

I. Introductory.

The subject suggested for this paper by the Committee on Annual Meeting, 1908, is so broad that it must be assumed that the intention was that the writer should have a free hand to deal with any matters relating to the profession of the Public Accountant, which might seem to him to be either of interest to the members assembled or of value in extending throughout the community generally a proper understanding of the part which that profession must necessarily take, even more in the future than in the past, in the development and regulation of commercial affairs.

The Annual Meeting of 1908 celebrates the twenty-first anniversary of the official birth of the profession in this country. During this period of growth there have been added to its ranks many men skilled in its practice and procedure, and a paper of the kind now submitted can not have much to tell the members, here assembled, with which they are not equally familiar with the writer. For this reason it has seemed fitting that this paper should make its appeal to a larger circle of readers, and so bring about a wider appreciation by the public of the value of the profession and of the high standard of ability, integrity and impartiality attained by its members.

There is another class within our own ranks to whom, also, the papers presented at these meetings should particularly appeal and whose interest their authors should have especially in view, and that is the large and increasing number of student members who are entering the profession and into whose hands the custody of its high standards and ideals must necessarily pass in due course. To these two classes, therefore, the paper now submitted is intended particularly to appeal; and if in this endeavor

matters of common knowledge to the majority of the members may seem to occupy an undue portion of its space, they will, perhaps, accept the excuse that these matters may be of benefit and interest to others and may thus advance the best interests of the profession.

It is clearly impossible within reasonable limits to discuss fully all the various types of cases which come before the Public Accountant in his daily practice. The few here discussed have been selected as being among the most important and most valuable to the general public, and must not be considered as more than a small fraction of those many services which are rendered daily to individual clients in their private affairs, whether they involve weeks or months of arduous investigation or merely consultations and discussions on important matters of daily occurrence.

II. Annual Examination and Certification or Audit of Accounts.

Among the most important of the public duties must be considered what is generally known as an Audit of Accounts of Corporations. Unfortunately this term "Audit" has obtained currency in a much more limited sense, being applied to the internal check upon transactions involved in the passing of accounts for payment; and the corresponding term "Auditor" more often than not is applied to or is held to describe an individual holding the position of Comptroller or Chief Accountant, or Head Bookkeeper of a Corporation. It is, perhaps, worthy of consideration, whether it is desirable to continue to use the term "Audit" as applied to work done and certificates given by Public Accountants; but in default of any better term and in view of the legal sanction given to its use in that respect in other countries, it is generally adopted in this paper as applying entirely to the work performed by the Public Accountant to enable him to certify to the accuracy of periodical statements of account. Such an audit is of far-reaching importance, not only to the Directors and Stockholders of the Corporation interested, but also, to the general public who may frequently purchase the stock of the Corporation, relying on the certificate given by the Public Accountant.

Some important considerations affecting audit practice are suggested by the English Companies' Act of 1907, which was passed after an inquiry by a Royal Commission on which accountants were represented by one of their number, and which may be said to crystallize into law the customs of the most reputable companies adopted as the result of the forty-five years' experience under the law of limited liability in that country. Before considering the provisions of this act it may be interesting and useful here to state shortly the history of the independent and impartial audit of the accounts of corporations in England, where the practice, starting from small beginnings, has now become universal and has at last received the endorsement of the law.

Until the passage in England of the Companies' Act of 1900, there was no law compelling a company registered under the Companies' Act to have an audit of its accounts, with the exception of banking companies, which were required under the Companies' Act of 1879 to have an independent audit, evidenced by a certificate in a form which has practically become the standard for all companies, and to which reference will hereafter be made. The original Limited Liability or Joint Stock Companies' Act of 1862 contained in a schedule, known as Table "A," a set of "Articles of Association" (here known as "By-Laws"), which was not compulsory, but which could be adopted by any company so desiring and was binding upon any company which did not adopt an alternative set. This Table "A" exercised a great influence, and where not adopted in its entirety, became the model for the Articles of Association of the best companies. It included a clause requiring an annual audit of accounts by persons appointed by stockholders, and the elimination of this clause in any substituted articles came to be regarded with more and more disfavor, so that in time this provision became practically universal.

The first stage of this audit consisted in the appointment by the stockholders, at the Annual Meeting, of certain of their number to conduct it. These lay Auditors had no qualifications for the position, either by training or experience; and while the fees paid them for their services were usually small, there can be little doubt that the money was, as a rule, practically wasted.

The next stage appears to have been the employment by the elected Auditors of Public Accountants to assist them in their work, provision being frequently found in the Articles of Association permitting this, and providing that the remuneration of the individuals so employed should be paid by the company. The next step was to recognize the fact that it was better for the stockholders themselves to make the appointment of Public Accountants, instead of delegating it to their own Auditing Committee, and the Articles of Association in their most modern form usually provided that at least one of the Auditors should be a Public Accountant. In this condition matters continued until the passage of the Companies' Act of 1900, which, for the first time, gave parliamentary sanction to the practice which had already become established in the majority of cases by the action of corporations and their stockholders.

The provisions relating to audit are contained in Sections 21 and 22 of that Act, the text of which is given in full in the Appendix to this paper. The general effect of these provisions is that at each Annual Meeting of the company the shareholders are required to appoint one or more Auditors, none of whom must be a Director or Officer of the company; that these Auditors shall hold office until the next Annual Meeting, and that their remuneration shall be fixed by the shareholders. Provision is made for appointment by the Board of Trade (a Government Department) in default of any appointment by shareholders. Appointment by the Directors is permitted only in the case of a newly organized company, and such appointees can hold office until the first Annual Meeting, with power, however, to the shareholders to remove them by a majority vote at a previous general meeting.

The Auditor being appointed by the stockholders, his responsibility was entirely to the stockholders, but he was subject to election each year, and cases frequently arose in which, owing to his making a report adverse to some action which the Directors may have taken, the latter controlling the majority of stock were able to prevent his re-election. This feature of the appointment of Auditors was recognized as a defect, and the form of certificate called for in Section 23 of the Act of 1900 was also not entirely satisfactory; and

in 1907 a new Act was passed amending various provisions of the Act of 1900, so that at the present time Sections 21 and 22 of the Act of 1900, together with Section 19 of the Act of 1907 (See Appendix), comprise the law in England on this subject.

The latter section establishes the Auditor's right of access at all times to the books, accounts and vouchers of the company, and empowers him to require from the Directors and Officers such information and explanations as he may think necessary. It requires the Auditor to make a report to the shareholders, stating whether or no he has obtained all such information and explanations, and whether or no the Balance Sheet is properly drawn up so as to exhibit a true and correct view of the state of the company's affairs, according to the best of his information and the explanations given to him, and as shown by the books of the company.

The Auditor's Report must be read at the Annual Meeting and be open to the inspection of any shareholder, who is also entitled to a copy of both Balance Sheet and Report at a specified charge.

The Act also provides that no other than a retiring Auditor can be elected at an Annual Meeting unless previous notice has been given of the intention to nominate another person, and a copy of such notice has been given to the retiring Auditor.

It will be noted that there is still no provision in the law requiring that the audit should be made by a Public Accountant, but it has become so universally recognized that a lay audit is generally worse than useless, that it is now quite the exception to find the certificate of any but a Public Accountant affixed to the Balance Sheet.

There is one other very important point of distinction between the position of the Public Accountant acting as Auditor of a corporation in England and in this country, viz., that in England he has always been appointed by the shareholders, while in America, at present, with a few notable exceptions, he is appointed by the Directors or Officers, although in most cases the Directors hold the control of the company and the appointment by the stockholders would practically have the same result. The

position of the Accountant in such a case is widely different. When appointed by the Directors his legal responsibility is to them instead of—as it should be—to the stockholders and to the public, and while this should not affect his moral responsibility to the latter, it places such a limitation upon his powers as to seriously diminish his usefulness; for if he reports adversely upon any of the actions of the Directors they can suppress his report and publish the accounts of the company as prepared by themselves without any certificate, and the Auditor has no right whatever to communicate the true facts to the stockholders. On the other hand, if he be appointed by the stockholders, it is not only his right but his duty to bring before them—preferably in his certificate affixed to the Balance Sheet, but certainly in some way—any material facts with which they should be acquainted. Furthermore if the Directors appoint the Auditor they can limit the scope of his inquiry in any way they think fit, while appointment by the stockholders would carry with it no limitations and the whole responsibility as to the work which he shall do or not do is thrown—and properly thrown—upon the Auditor.

Fortunately, so far, there has been no tendency here on the part of stockholders or Directors to appoint lay Auditors and the objections thereto, which might under other conditions require much emphasis, can now be noted in a few words, viz., that they have no training and not sufficient knowledge of the principles involved in a correct statement of account and that, on the other hand, they may have that dangerous kind of superficial knowledge, such as, in the case of a quack doctor, might lead to a wrong diagnosis of the case, or, in an amateur engineer, to the preparation of designs of a bridge without any proper consideration of the strains and stresses involved. As an individual or corporation would not think of employing an unqualified doctor or engineer, so it may be hoped that they would not employ an unqualified Auditor.

There is, however, another danger in prospect, viz., the compulsory Government audit. In uttering a warning against Government audits the profession is not merely protecting its own interests, although these might be temporarily affected if the practice continued to increase; the real objection lies in the certainty that such examina-

tions must, on the whole, be inefficient. The duties of the Government Auditor, as he exists at the present time in the shape of Bank Examiners, Insurance Commissioners, Public Service Commissions, and last, but not least, the Interstate Commerce Commission, are necessarily defined and limited by law, and tied and bound by precedents, and have none of that elasticity which is necessary if an audit is to advance with the times and to suit itself to the changing conditions which arise, not merely from decade to decade, but from year to year, and even from day to day.

Moreover, the system of filling Government appointments is not conducive to the creation or maintenance of an experienced and efficient staff. While the pay for the lower positions is probably higher than obtains in commercial circles, that for the higher is low; and the higher the position the smaller proportionately to the responsibilities is the amount of remuneration. Consequently, there is little inducement to the better man to remain in the service, and it becomes practically impossible for such a service to attain to anything like the level of efficiency which will be found in the office of a practicing Public Accountant. Another and greater objection, from the stockholders' point of view, is that the Government Auditor necessarily must confine his duties to insisting upon the observance of the law and has little, if any, care for the interests of the stockholders.

The insufficiency of Government examinations as audits, in the proper sense of the word, has been frequently recognized by Comptrollers of the Currency and State Banking Superintendents, who have in their official reports gone on record as being in favor of independent examinations of banks and trust companies by Public Accountants on behalf of Directors and stockholders, in addition to the usual official examination. There can be little doubt that there will sooner or later be a reaction against the extension of Government control, which is now so much in evidence; and that reaction, when it comes, will probably take the form of the opposite extreme of little or no control—a condition equally to be deprecated unless it be accompanied by the growth of control by stockholders, exercised through Public Accountants, appointed by them as Auditors. The requirement of regular and efficient audits of the accounts of corporations by qualified Public Accountants must depend largely upon public

opinion; and it is better that the practice should become a regular one as a result of pressure exercised by stockholders upon Directors, rather than as a result of hasty and possibly inefficient legislation.

The natural and healthy growth of a sound practice on its own merits, and because it is found to be a protection to the stockholders and to the public, is alone likely to be permanent; and it is to be hoped that the experience in England already quoted will be found to be the experience here. The great importance of independent periodical audits by Public Accountants is now recognized by the Directors and Managers of many commercial institutions, as well as the increasing value which attaches to their certificates. If this movement, now well started, be supported by public opinion, as represented by stockholders, there is no doubt that the practice will grow at least as fast as the profession, by its own natural growth, can take care of the work.

The responsibility which the Public Accountant assumes in certifying to the accounts of a corporation will be found on careful consideration to be well defined in the form of certificate required by the English Companies' Act of 1907, above quoted, viz., that he shall report whether, in his opinion, the Balance Sheet is properly drawn up so as to exhibit a true and correct view of the state of the company's affairs, according to the best of his information and the explanations given him, and as shown by the books of the company. The several phrases in this certificate deserve special attention.

(a) "In his opinion," as a skilled professional man, endowed with special qualifications resulting from his training and experience.

Every Balance Sheet must be largely a matter of opinion; for example: the value of the Debts Receivable, the Inventories of Materials and Supplies, and particularly of Work in Progress, and the division of Expenditures between Capital and Revenue; the inclusion in the books of all necessary information with regard to the affairs of the company, the sufficiency of the provision made for Maintenance Charges and Depreciation, and for Reserves for possible Losses; the efficiency of the System of Organization and Accounting as a reasonable protection against

fraud or defalcation—all of these matters require, for their decision, skill and experience.

The criticism is often made that this phrase weakens the certificate; but if the necessities of the case be considered, and if it be remembered that the opinion is one formed after an exhaustive and careful study of all the facts and evidence obtainable by a man whose whole training and experience has specially qualified him to give such an opinion, it will be seen that the words are not a mere empty phrase but an essential part of the certificate. So far from weakening the certificate they may rather be considered as strengthening it, in that they imply that the signer has given his certificate, not with foolhardy assurance, but with a realization of the inherent impossibility of saying, absolutely, that one Balance Sheet is correct and another incorrect.

(b) "Properly drawn up." This implies that the different headings in the accounts submitted are proper descriptions of the items included thereunder; that there is no concealment of material facts, the knowledge of which is essential in enabling the present or prospective stockholders to form a judgment of the value of the investment, and the omission of which would be prejudicial to their interests. In deciding whether this requirement has been met the Auditor must recognize that there are often facts as to which it would be of interest and value to stockholders to be informed, but the public disclosure of which might severely damage the company and its stockholders, and yet which, in the opinion of the Public Accountant, are perfectly proper transactions, and in the best interests of the company. The Public Accountant should be the best judge as to what should or should not be disclosed and be able to satisfy his clients that his views are correct and should be adopted.

(c) "True and correct view of the state of the company's affairs." This phrase involves, not only the mere clerical accuracy of the figures, but their substantial business accuracy, independently of the books, subject always to the necessary qualification that the Public Accountant, even with his special training and experience, is, after all, human and can not discover facts of which no trace is to be found on the books or records of which he has knowl-

edge. Such matters, as the Valuation of Inventories, Investments, Book Debts, etc.; the full estimate of all ascertainable Liabilities and Obligations, contingent or otherwise; the full and correct statement of the Profits for the period covered by the examination; and the clear and separate disclosure therein of any unusual items not incident to the ordinary business of the company, are all involved in the term "true and correct view of the state of the company's affairs."

(d) "As shown by the books of the company." This phrase does not imply that the duties of the Auditor are properly fulfilled if he satisfies himself that the Balance Sheet agrees with the books, as is sometimes supposed. The phrase immediately preceding, "according to the best of my information and the explanations given to me," shows clearly that a much wider duty rests upon the Auditor, namely: to satisfy himself that the Balance Sheet, as already stated, sets forth a true and correct view of the state of the company's affairs, according to all the information obtainable; and, further, that the books also set forth this same condition. It is, therefore, incumbent upon the Auditor, if he certifies the accounts of a company, to see that the books are correct as well as the Balance Sheet, and that any changes which he may have to make in the Balance Sheet have been properly recorded and put through the books.

There are many other matters frequently touched upon in the certificate in addition to the above which may be described as the "operative" phrases; but whatever the form may be it is essential that the certificate should be clear, specific, and, above all, accurate, and that any qualifications, which it may be necessary to insert, should be set forth in unmistakable terms so as to put those who read it upon their guard and to suggest to them the questions which shall be put to the management of the corporation if further information is desired.

It may be useful here to state a few general principles in connection with the form a qualification should take. Various expressions are used such as "accepting" or "subject to" such a condition of things. The former words should imply that while the accountant is not in a position to verify the statement to which it relates, yet he has no reason to believe that it is inac-

curate in any respect; while the expression "subject to" should imply that the accountant is not satisfied with the conditions disclosed and is prepared only to certify to the accuracy of the statement excluding the item to which he takes exception.

It must never be forgotten that the Public Accountant has no right or duty to dictate the policy of the company; he can not compel it to make sufficient provision for all necessary charges, such as Maintenance, Depreciation, Bad Debt Reserves, etc., but he can and must call attention in his certificate to the fact of the omission or insufficiency of any such provisions, leaving it to those interested as stockholders, or in any other capacity, to take the question up directly with the officials and satisfy themselves on these doubtful points. If the Public Accountant has the necessary qualifications; if the work of his subordinates is properly directed and supervised; and if his examination has been as thorough as it should have been—in other words, if he has done his whole duty as a Public Accountant—it is hardly possible for any substantial or material errors of omission or commission to be afterwards found in a Balance Sheet so certified.

The Public Accountant's responsibility in respect of his certificates is largely moral, and only to a small extent legal. It is commonly supposed that his work is a mere ascertainment of facts, and yet that is the simplest and frequently the smallest and least important part of the work involved in his periodical examinations. He is rather employing his trained mind and organization to make as near an approximation to actual facts as is humanly possible or practicable, but he has also to consider degrees of approximation, or, in other words, it is the percentage and not the amount of the possible error by which he must be guided. His legal responsibility is necessarily limited to gross errors of omission or commission, and would hardly extend to errors of judgment; but it must be remembered that what might be merely errors of judgment on the part of an individual, without his training and experience, may easily be gross errors on the part of the Public Accountant.

III. Relations with the Banker.

An important development in the relations of the Public Accountant to the Banker seems likely to result, partly from the

provisions of the Currency Law passed by Congress last Spring, and partly from a report recently made by the Committee on Credit Information of the American Bankers' Association. The law provides that the National Currency Associations therein provided for shall have power to render available, as a basis for additional circulation, commercial paper held by the national banks.

The term "commercial paper" is defined as including only notes representing actual commercial transactions bearing the names of at least two responsible parties, and having no more than four months to run, and upon such paper it is provided that circulating notes may be issued to an extent not exceeding 75 per cent. of the cash value thereof. It is a curious factor in the banking situation that commercial bills as here defined have hitherto formed a very small part of the assets held by national banks, which consist mainly of one or two-name paper representing mere loans and not in any sense completed commercial transactions; and yet all authorities on banking practice have agreed that such commercial paper is the best class of asset that a bank can hold, and in European countries it forms, by far, the largest proportion of the total assets.

One effect of the present practice has been to reduce to comparatively small dimensions the operations of exchange represented by drawing upon a customer for the amount of his indebtedness. All Public Accountants will realize that Bills Receivable and Bills Payable, representing drafts drawn against products and accepted by the producer, are quite rare; and that instead of considering that such a method of financing is especially sound and practicable, the desire of most commercial businesses is to claim that they have accepted no such paper, while there does not appear to be any similar objection taken to a large amount of pure loan paper given direct to their bankers in the shape of promissory notes. Another result of this state of affairs has been that institutions have grown up whose business it is to advance money on Book Debts, involving the borrower in a large amount of unnecessary expense and even then probably leaving little or no profit to the lender by reason of the great amount of clerical work involved in keeping a proper account of

the assignment and collection of the actual debts which form the security for the advances.

Coincidentally with the passage of the new law, the Committee on Credit Information of the American Bankers' Association has submitted a somewhat noteworthy report, in which an extension of the practice of discounting commercial bills is advocated in preference to the present more usual form of making straight loans, secured by what is in effect a promissory note; and coupled with this recommendation comes, entirely unsought and uninfluenced by the accounting profession, a strong recommendation that bankers require a report by a Public Accountant on the financial condition of those concerns whose paper they are asked to buy. While such examinations are not unknown, the competition between banks has prevented the practice becoming at all general; for, as bankers have frequently admitted, if they were to insist upon the production of statements certified by Public Accountants the prospective borrower would quickly remove his account to an opposition bank, and would there obtain all the accommodation he needed without any such "red tape" restrictions.

If the new currency law eventually proves to have re-introduced and made popular the old-fashioned, but highly practicable Domestic Bill of Exchange, it will, on this account alone, deserve the gratitude of the community.

The importance to the banker of the certificate which the Public Accountant can give him can hardly be over-estimated, provided, that it is clearly understood that the accountant is responsible in such cases, directly to the banker, even more than to his client, and provided also that the banker will assist accountants by drawing up a form of the statement which they would require to be certified, setting forth clearly and without the possibility of concealment all the essential facts which the banker requires to know. Such action on the part of the banks as is now contemplated, while it must tend still further to increase the work and the responsibilities of the Public Accountant, will, at the same time, aid the moral and financial well-being of the community, not only by preventing clear cases of contributory negligence, or even fraud on the part of borrowers, but also by reducing to a minimum their tendency to put for-

ward only the most optimistic side of their affairs, and to slur over the bad features.

IV. Form of Accounts.

Another question closely related to the audit of accounts is the form in which they should be stated. It is the Directors who submit the accounts to the stockholders, and they have the right to decide upon the form in which those accounts shall be submitted, and to require the Public Accountant to certify to them in that form, or to state in what respect he finds them incorrect. The latter will have his own ideas as to the best method of stating the accounts, and is fully entitled to put his views before the company's officials and endeavor, in so far as he can, to mould their ideas to his; but he must remember that the object of the accounts is to set forth the "true financial condition" and that there is no stereotyped way in which this should be done. There is a good deal to be said for uniformity in the matter of the form of statement of similar companies, but this is a matter of convenience more than a necessity, and no preconceived ideas as to the superiority of one form over another should be allowed to interfere with the rights of the Directors or Managers to state the accounts in any form they please and to call upon the accountant to certify them or not.

The standard form of Balance Sheet, which has a great deal to be said in its favor, divides the assets into three classes, namely: Capital, representing the fixed investment in the property; Current, representing the assets which are being turned over and converted into a different form day by day; and Deferred, representing expenses incurred in advance for some succeeding period; and to these three is frequently added a fourth, representing the assets held for special funds which may have been set aside out of profits or otherwise for specific purposes.

On the liability side a similar classification prevails, namely: Capital Liabilities, representing the Capital Stock and Funded Debt which have been contributed and remain fixed at any rate for a number of years; Current Liabilities, including Floating Debt, which have to be paid off in the ordinary course of business from day to day; Special Funds set aside for various purposes, such as Depreciation, Sinking Fund, etc.; and, finally, Sur-

plus or Profit and Loss Account, representing the accumulation of undistributed profits. This form is that most commonly adopted here, each of the principal headings being again divided into such sub-accounts as may be desired. In England, however, the standard form is of a different nature altogether. Each separate class of asset is set out by itself in the Balance Sheet and arranged in the order of ease of liquidation—that is to say, the most fixed assets are stated first, followed by those which are slightly more realizable and ending with the most realizable of all, namely: Cash.

It is worth noting here that Section 21 of the English Companies' Act of 1907 (Appendix) requires the publication of the Balance Sheet of every company drawn up so as to show the general nature of such liabilities and assets, and how the values of the fixed assets have been arrived at.

Reference is made to these two forms because they are probably more widely divergent than any two Balance Sheets that will be commonly found here, while both classes are certified—and quite properly certified—as representing the true, financial condition by Public Accountants of the highest standing.

The same differences will apply in the statement of Profits, whether they shall be detailed or not, divided into one or more sub-divisions, or stated all in one total. The main and important question is: Are the Profits correct and does the method of statement correctly set forth all the material elements which go to compose them. The most satisfactory form will probably be considered that in which Profit and Loss Account is divided into three portions, known respectively as: Operating Account, Income Account, and Profit and Loss Account. The first portion will give the actual results of the operations of the property; the second will contain the net operating results, and in addition any miscellaneous income derived from outside sources, and on the other side the charges against the total income, in the shape of amounts paid for use of any part of the operated property, losses on miscellaneous investments and other items of such character, together with interest on temporary loans and bonded debt; and in the third portion, or Profit and Loss Account, would appear the balance brought forward from the preceding year, the net surplus income or profit for the year after paying all neces-

sary expenses and fixed charges, and on the other side the disposition of the resulting balance in dividends and other voluntary appropriations.

There is much variety in the class of items which are charged to this third portion of the account; and as the practice of charging to Profit and Loss in preference to Income is to be deprecated, unless in exceptional cases, it is perhaps better to state generally what items may properly be so charged, with the inference that everything which does not come within this classification should go to either Operating Account or Income Account. Proper charges or credits to Profit and Loss may be defined as follows:

(1) Extraordinary items of receipt or expense not applicable to any particular year, such as profits realized on sales of property, or losses on sales or dismantlement of property, or due to its reconstruction. The loss in this class of cases is closely related to the renewal or depreciation charges on the same property, which should properly go to the operations of a particular year. Frequently a property is abandoned for purposes of reconstruction, which, if it had not been for such reconstruction, would have remained in service for a long period to come and have been maintained in a perfectly efficient condition at a small fraction only of the loss caused by its abandonment. In such cases it would seem that the proper distribution of the charges between the Operating Account and Profit and Loss Account should be to charge to the Operating Account so much of the difference between the original cost and the value at the time of abandonment as has not already been provided for through charges to Operating, and to charge the balance, namely, the difference between the depreciated value at the time of abandonment and the scrap value realized, to Profit and Loss Account. This is a principle fairly easy of application, which might well be adopted in the various classifications which are now being put forward by Government departments for use by railroads and public utility corporations.

(2) Expenditures on improvements and betterments representing the creation of actual additional property. The propriety of charging these items to Capital Account from a strictly accounting point of view can not be denied; but where such expenditures, though resulting in additional property, are incurred,

not for the purpose of increasing the earnings, but with the view only of reducing future operating expenses, it may well be doubted whether, as a matter of business policy, the charge to capital is wise or prudent. Such expenses may be looked upon rather in effect as advanced payment of operating charges, and yet not being operating charges they can not fairly be placed in the Operating Account. To charge such expenditures to the surplus resulting out of previous years' operations may be considered fair and conservative treatment.

(3) Discounts and premiums on bonds. Discounts and premiums on bonds are in effect an addition to or deduction from the interest rate paid on the bonds over their life, and as such should strictly be included with interest charges in the Income Account by proper instalments each year. In practice, however, it is frequently desired to write off the whole of the discount at as early a date as possible in preference to carrying it as a deferred and unrealizable asset for a long period of years, and no possible objection can be raised in such a case to providing for the full amount out of the surplus earnings of previous years.

(4) Discounts and premiums on stocks. The treatment of discounts and premiums on stocks, however, requires somewhat different consideration. In the first place it is somewhat questionable whether stock can be issued at a discount; and in the case of both discounts and premiums, the more proper view would seem to be that the stock is sold for whatever it will fetch, and that any discount or premium should be considered as a deduction from or addition to the par value of the stock on the face of the Balance Sheet.

Incidentally there is a great deal to be said in theory for requiring that the capital stock of a corporation should not have any specific par value, but should merely provide for so many shares, these shares being sold from time to time for whatever they will fetch. In fact, this is done at the present time by individual stockholders through the medium of the Stock Exchange, but the objection has always been raised to the absence of a par value for the reason that it would provide unlimited opportunities for improper manipulation by unscrupulous promoters. As long, however, as it is permissible, as it still is in many cases, either legally or by legal fiction, to sell stock at a dis-

count, the prevention of such abuses hardly seems possible; and the present method of a fixed par value is no better, and in many ways a good deal more inconvenient, than the old method in force in the early part of the last century. As long as stock has a fixed par value it is better, theoretically, to treat premiums thereon as Receipts on Capital Account, but no serious objection can be raised to crediting them to Profit and Loss Surplus.

The above four classes of items would seem to cover all those which may or should with propriety be eliminated from the Income Account of a particular year, from which it follows that the common practice of charging to Surplus Account ordinary items of operating expenses which happen to have been omitted by accident from the preceding year's accounts is incorrect and misleading in that, over a series of years, it understates the total operating cost of the business. This is a feature in the form of the statement of accounts which might well receive more attention from the profession than hitherto.

V. Investigation for Purpose of Certifying the Profits and Determining the Purchase Price for a Business.

While an important part of the practice of a Public Accountant consists in the examination of the accounts of corporations for the purpose of the issue of additional stocks or bonds, or for the sale of the business, these reports almost universally have been made on behalf of and under instructions from the promoters or vendors interested in disposing of the property. In such cases the responsibility and the rights of the Public Accountant cease when he has submitted his report, and he is usually not consulted at all as to the means or methods by which the securities are offered to the public for subscription. In place of a regular prospectus giving the fullest particulars of the property, supported by reports and valuations of independent accountants, engineers, valuers, etc., and issued on the direct authority of the Directors of the new corporation and the bankers interested in its flotation, there is usually found a letter from the president of the selling or borrowing company containing bare statements of the alleged facts, with no supporting evidence of any kind. The bankers interested in the flotation relieve themselves of responsibility by a specific reference to the letter as their authority for

the statements put forth, and no doubt they are thus legally, if not morally, safeguarded. The objections to this method of advertising public issues are very numerous and the following may be given as the most important:

(1) The president or other officer of the borrowing or selling company is necessarily biased in favor of the deal which it is proposed to put through, and represents entirely the company and its stockholders, and not in any way the public, who are being invited to furnish new capital.

(2) Very few of the important facts in connection with the assets and the earnings are within his own knowledge or have been made by him the subject of any special investigation.

(3) He may be deceived:

(a) By his own excessive optimism;

(b) By the excessive optimism of his subordinates;

(c) By the mistakes of his subordinates;

(d) By the frauds of his subordinates, or

(4) He may himself deceive:

(a) By his own mistakes, or

(b) By his own fraud.

The English practice, with reference to the issue of prospectuses, is worth a reference. Under the English Companies' Acts of 1900 and 1907 (Appendix), every company inviting subscriptions for capital is required to file with the Registrar of Joint Stock Companies a copy of its prospectus, or, if there is no prospectus, a statement in lieu of the prospectus, containing the following, among other information: the names and addresses of the Directors; the names and addresses of the vendors of the property purchased or proposed to be purchased or acquired; the purchase price, distinguishing the amount paid for Goodwill; the amount of commission payable for procuring subscriptions for any of the capital offered for subscription; the estimated amount of the organization and other expenses preliminary to commencing operations; the amount to be paid to the promoter and the consideration for such payment; the dates of and parties to every material contract, and the time and place at which such contracts may be inspected; the names and addresses of the Auditors; and particulars of the nature and extent of the interest of every Director in the promotion of the company or in the

property proposed to be acquired. In addition, it is the regular practice in all cases, except that of an entirely new business not yet established, to incorporate in the prospectus a certificate of a Public Accountant, as to the earnings for a period of years, and frequently as to the value of the net Current Assets, where these are to be taken over.

Bankers interested in the flotation of new securities frequently, for their own protection, have required reports from Public Accountants, but it is seldom that these reports have been incorporated in the prospectus; although now there is a slight tendency observable to adopt this practice, and within the last year or two a few prospectuses of the kind so familiar on the other side of the Atlantic have been issued.

It would seem highly desirable that there should be included in every prospectus, or offer of stocks or bonds for sale, certificates of a Public Accountant as to the Profits, Current Assets and Current Liabilities, and reports by engineers or other experts as to the value of the Capital Assets acquired or to be acquired; and, furthermore, that the amount paid for Goodwill, which is largely represented by the optimism of the promoter, should be clearly and separately set forth in the prospectus and not, as is now almost invariably the case, covered up under the vague term "Cost of Properties." With such additional protection over that now given them, the public will gradually become aware of the fact that many of the so-called bond issues of the present day have little, if any security, better than that of common stock, and are often, in fact, saddled with all the risks of the business in order that common stock of no intrinsic value may reap the eventual profits.

In the belief that such certification by a Public Accountant must form a large part of his practice within a very few years, the following outline of his duties in this respect may be of interest:

In the first place his responsibility is solely and entirely to the public. If he is not honestly satisfied as to the good faith of the promoters and as to the prospects of obtaining the expected results held forth in the prospectus, he should decline to be identified with it or to certify to any figures contained therein. In order that the public, as well as himself, may judge of the re-

sults, the period covered by his examination and certificate should be long enough to give a true reflection of the earning capacity of the business, or, if for any reason a sufficiently long period is not available, the reasons should be stated. In no case should the average profits alone be certified, unless the stating of an average in place of the separate years is of no material importance; but it will usually be found that where the promoters desire to have an average stated instead of the separate years' results, it is for the purpose of making a better showing than is really justified.

On the other hand, while the Public Accountant is bound to see that all material facts are set out in his certificate, he is equally bound to see that they are not set out in such a way as to unduly prejudice the promoters or vendors' legitimate interests by reducing the earnings below the figure at which they may fairly be stated, or by omitting to adjust extraordinary items of Expense or Revenue. The effect of a change in import or export duties or bounties, the nature and term of contracts in force, the tenure of the property in which the business is carried on, the credit of the concern, the effect of possible competition on what is at present a monopoly or of a cessation of competition resulting from a consolidation, must all be carefully considered and a fair balance held all through between the seller and the purchaser. It will frequently be found necessary also to average certain profits or losses taken up in the books in a specific year over a period of years longer or shorter than those covered by the examination.

It should here be noted that there is a marked difference between a statement of profits prepared for and certified to an Annual Meeting of Stockholders, and one that is prepared for the purpose of showing to prospective investors the earning capacity of the business. In the former case the accounts are adopted by the stockholders at each Annual Meeting, reserves of various kinds are made from the profits of good years to be carried forward to bad years, changes in methods of valuations of different classes of assets are made from year to year, and, generally, the accounts are drawn up more with a view of determining the amount which can safely be divided among the stockholders in dividends, than of showing the actual earning capac-

ity of the business. In the latter cases, however, it is essential that the profits certified for each separate year be those actually earned from the operations of that year, any arbitrary additions or deductions due to changes in bases of valuations or otherwise being taken into consideration, and that they be free also from abnormal fluctuations due to unavoidable contingencies which should be provided for proportionately over a period of years.

Careful consideration must also be given to the effect that large adjustments made or omitted to be made would have upon the purchase price paid for the business, where that depends, as is usually the case with Goodwill, upon a certain number of years' purchase of the certified profits. For instance it is usual that the vendor should guarantee collection of the Accounts Receivable and the maximum amount of Liabilities Payable; but such a guarantee is not sufficient when the payment to be made for Goodwill is dependent upon the profits for the reason that an addition to the purchase price of, say, five years' purchase on a bad debt or omitted liability of $1,000.00 may be cheaply obtained by the vendor repaying the $1,000.00 so represented. Similarly, if there is a change in the basis of Inventory valuations at the beginning and end of a period covered by the certificate of earnings, any such error would, in arriving at the purchase price for the Goodwill, be multiplied if the period upon which the Goodwill is based exceeds that covered by the certificate.

In carrying through a consolidation of a number of businesses into one corporation the following plan has been found by experience to be the most satisfactory, and to give the fairest results to all parties:

There should be a Valuation Committee selected from the different companies, whose duties should be to supervise the taking and pricing of the Inventories. The Capital Assets should be appraised by competent engineers or other experts; statements of the Profits or Losses of the different companies should be certified to by a Public Accountant, the same accountant being employed for all companies; and all the book Debts and Liabilities of his company should be guaranteed by each vendor. The whole work, including the immediate taking of the Inventories and the making of the appraisals, should be under the entire direction and supervision of a Public Accountant agreed upon by all

parties, who would also supervise the preparation of the Liquidation Accounts for each of the old companies, and thereupon certify the final amount to be paid to each, a proportion of the purchase price being retained from each vendor pending such final liquidation.

The Goodwill should be based upon a certain number of years' purchase, previously agreed upon, of the average profits for the period covered by the investigation, and the allowance of such an amount involves also that in cases where a loss is shown instead of a profit an equivalent deduction, frequently termed "bad-will," should be made.

Such a plan of consolidation as that laid down is the only one which can be carried through without injustice to the parties, who will otherwise haggle as to prices, each endeavoring to obtain the best of the bargain, with the result that there might be friction and bad feeling in the new organization, leading to an inefficient organization, and probably in the end to loss and disaster.

The experience of the Public Accountant, acquired during years of practice, qualify him to a greater extent than any other member of the community for dealing in a broad and scientific manner with all the varied problems involved, requiring the exercise of the same ability, judgment, and integrity, in carrying out such duties as already demanded in the case of audits if he is to do full justice—and no more than justice—to both present and prospective owners.

VI. Receivers and Assignees in Bankruptcy and Plans of Reorganization.

The Public Accountant is peculiarly fitted by his ability and training and administrative experience to take hold of and manage large industrial undertakings, protecting alike the interests of creditors and owners, avoiding unnecessary sacrifice and tedious delay in liquidating the property, investigating the facts, probing into irregularities due to ignorance or crime which may have contributed to the collapse of the undertaking, and seeing that the interests of the community are preserved by the punishment of those, if any, who may be criminally responsible for the conditions found; and finally, as a result of his investigations, forming his conclusions, reporting to the courts, the creditors

and the stockholders, and, if possible, preparing and carrying through plans for the reorganization and rehabilitation of the business.

The frequency of the necessity for the reorganization of large corporations is one of the natural results of the present methods of their formation, and in nearly all cases will be found to be due mainly to over-capitalization resulting from the unduly optimistic views or the greed of promoters, frequently accentuated by large expenditures incurred for new construction exceeding the financial ability of the company and consequently defrayed to a much too large extent out of borrowed money.

The consideration of a plan for the reorganization of a property which has been reduced to a condition of insolvency requires a full and accurate knowledge of all the existing conditions with regard to the property and its past and probable future earning capacity. The elements to be investigated and determined will therefore be as follows:

(1) The sources and nature of the Gross Earnings and the prospects of any increase therein without further expenditures for development.

(2) The cost of operation, with particular reference to the effect thereon of bad management or bad organization, and to the possibility of remedying these conditions; and the proportion which the cost of operation has borne and may be expected to bear to the Gross Earnings.

(3) A comparison of the Gross and Net Earnings and Capitalization of the property, with some actual or desirable standard, so as to determine the proportion which one should bear to the other if the reorganization is to prove successful.

(4) Hence to arrive at the total interest-bearing and dividend-paying capital, which the reorganized property will stand on some fixed interest basis.

(5) The rank of the different classes of obligations having regard to the property pledged as security therefor; the margin of security; the rate of interest; the date of maturity; the equivalent par value on the basis of the standard rate

of interest adopted for all classes; and, if practicable, the extent to which the properties specifically mortgaged show sufficient earnings to meet interest on the indebtedness secured thereon. This class of information will probably require a report from an engineer or other expert on the value and the condition of the physical property.

(6) Following upon the determination of these factors a consideration of the various separately-mortgaged divisions of the property, with a view to determining whether any should be abandoned to the bondholders, rather than be included in a reorganization; and here it is important to observe that the contribution of any specific piece of property to the general organization is not necessarily measured by its ability by itself to earn interest on the obligations secured thereon. Numerous other factors will enter into a consideration of this point, and it may easily appear that a property earning little or nothing towards payment of its obligations is sufficiently valuable to the organization, as a whole, to be retained if possible.

(7) Another important factor is the amount of new money required to be introduced for the purpose of paying off the floating debt and rehabilitating the property, and the best method of raising such money—whether by the issue of new prior lien securities ranking in front of or on an equality with those issued in exchange for existing mortgages, or by assessments on junior classes of securities. In the latter case it is important that sufficient inducement be given to the junior classes, in the proportion of new securities issued for old, to induce them to pay these assessments; while for the assessments themselves, the securities issued should represent the par value of the cash paid in on some reasonable market valuation.

Upon the information and facts so ascertained will depend the final allocation to be made of new securities in exchange for old, as far as possible, in equitable proportions to the different classes of security holders, although at this final stage an element of bargain must necessarily be introduced by reason of the

different interests involved and the necessity of the reorganization managers coming to terms, separately, with each class of holders.

Enough has been said to show that the whole of the work involved in the preparation and carrying out of such a scheme may well be entrusted to the Public Accountant; and while a strong reorganization committee is, perhaps, a necessity in order that all classes of security-holders may feel that they are represented in the preparation of the scheme, no such committee should proceed without keeping in close touch and consultation with some representative member of the accounting profession, who should be retained as their technical adviser.

In other countries accountants have in many cases established and maintained their reputation as leading figures in the commercial community in the class of work here described, and have thereby acquired so high a reputation and standing for the profession, that it is only in rare cases that an accountant is not, as a matter of course, appointed to the position of receiver or liquidator, and entrusted with the entire work of either liquidating or reorganizing the business.

VII. Cost Accounting and Systems.

Increasing competition resulting in a narrow margin of profits and the greater magnitude of business undertakings, making impossible a close supervision of all details by the responsible managers, have raised to a matter of first importance the quick determination of accurate costs of processes of manufacture and finished products.

Modern systems, based upon the cost of the service rendered by the manufacturer to the public and so showing the amount of material, labor, and other expense put into completed work, are rapidly superseding the old forms, based upon the cost of the service rendered by the public to the manufacturer, i e., upon the quantities of goods purchased or of labor paid for; and if such systems are to be of the greatest possible use, it is further essential that the results should be available promptly and in concise form, so that defects disclosed in organization, management, or detail may be quickly remedied.

The principal objects to be attained by a modern cost system may be stated as follows:

(1) To ascertain the cost of the same product at different periods in the same mill or at the same period in different mills, and so to remedy inequalities in cost by reducing all to the results shown by the best.

(2) By an accurate ascertainment of the cost of output to maintain running book inventories, which will show at any time, without a physical inspection, how much of each class of materials, supplies, etc., is on hand, and so reducing stocks and capital invested to the lowest level consistent with efficiency; and at the same time avoiding the delay, expense and interruption to business consequent upon the old method of taking a complete physical inventory at a specific date in each year.

(3) The preparation of statistical information as to costs of parts, quantity, and variety of output; relative efficiency of different classes of labor and relative costs of labor; and material, between different mills and periods.

(4) The preparation of periodical statements of Profit and Loss in a condensed form, readily giving Directors all material information as to the results of the business. This is, perhaps, the least important of all the objects aimed at; and it may safely be said that the cost of a system designed merely to produce periodical statements of Profit and Loss, without providing for the other and far more important objects set out above, may be considered as money thrown away.

In devising such systems it is important to avoid too great multiplication of detail, giving theoretical rather than practical accuracy, and a very high cost of installation and operation; and it is equally important that the system installed should take into account local conditions.

The preliminary step to the devising of any cost system should be a careful study on the ground of all conditions governing the operation of the factory, not omitting a consideration of the personnel of the managers and staff, to whom the completed system

must be eventually handed over, and without whose thorough and hearty co-operation no ultimate success is possible.

There is a tendency to attach undue importance to the terms "cost accounting," "cost department," "production accounting," "production engineers," and similar terms applied to and held out as a special definition of this class of work, and to believe that it is separate and distinct from the practice of accounting. While in many respects cost accounting work is of a highly technical character and different from other branches of the work of the profession, yet those same qualities and that same training, ability, and experience, which are called for in the latter, are equally necessary for the successful construction and installation of a complicated system of cost accounting; and if the best results are to be obtained, the designer and operator of a cost system must be first of all and pre-eminently a Public Accountant.

VIII. Consulting Accountants.

It is a common practice on the part of corporations and individuals to retain counsel on the basis of a yearly consultation fee, which gives them the right to call upon him for legal advice at any time This practice might, with advantage to his clients, be extended to the Public Accountant, and there are signs already that such a course is beginning to be more seriously considered. There can be little doubt that agreements dependent upon accounts or the interpretation of accounts would frequently be better drawn and lead to less confusion, difficulty and litigation afterwards, if, before being finally settled, they were submitted to a Public Accountant familiar with all the facts. Similarly, the examination of witnesses in cases involving accounts or figures would be much facilitated and the necessary points more clearly brought out if an accountant were retained in every such case to thoroughly investigate the principles involved and to be at counsel's elbow, during the whole of the proceedings, to prompt him on these technical questions.

Such work, and many other matters of similar character, form the duties of a Consulting Accountant. This position, which represents only a small part of the field which the Public Accountant's practice should cover, is withal, not only an important, but

an interesting one. It calls for continuous exercise of all those higher faculties required in the profession and may be likened in some degree to the position of a judge in relation to the members of the bar. Just as a lawyer, after a long, useful and busy career at the bar, is promoted to the bench as a position of greater responsibility but less physical effort, in which he may continue to devote his abilities to the services of the community, so the Public Accountant, who has for many years carried the burden of work and responsibility involved in the conduct of a large practice, might equally assume the honorable and responsible, but less onerous, position of Consulting Accountant, so keeping in touch with his profession and placing his ability and experience still at the disposal of his clients.

IX. Office Organization.

In considering the method by which the Public Accountant is enabled to perform for his clients the various services already shortly outlined, the most important is, undoubtedly, the organization of the office. This may be divided into the following essential departments:

(1) A Staff of Accountants is absolutely necessary unless the principal is to waste his own time or his client's money in performing detail work which can quite as well be done by others of less experience or ability, or, as an alternative, is to accept without verification all the facts and figures submitted to him by his client, merely forming his own conclusions based upon these figures. While the latter course may be at times justifiable, it forms the work of a Consulting Accountant more than of a Public Accountant, in the full sense, and can be considered only as a small branch of his work; nor would it be safe or proper for him to certify statements of accounts prepared on such data without expressing clearly in his certificate these limitations upon its value.

(2) A Correspondence or Stenographic Department is necessary to enable him to turn out the best kind of work of this class, accurately and quickly; but it must always be remembered that such a department is an auxiliary and

not a principal department, and that the contents of the documents produced are of very much greater importance than the manner of their production. While this may seem a truism, a word of caution is not altogether unnecessary, as there appears to be a tendency (from which, unfortunately, those for whom the reports are made are not always free) to judge of their value rather by the outside appearance than by the contents. Provided, however, the latter be always considered the more important, there is no question that on the principle that "what is worth doing at all is worth doing well," the outside appearance should be made as attractive as possible.

(3) A Statistical Department will be found of great value in tabulating results of different kinds of business; collecting books of reference, reports and other documents of interest, or value; maintaining a complete library similar, but of different character, to that of the lawyer, and keeping and maintaining the whole in such a condition as to be ready for reference at any time. It has been truly said that in these modern days it is impossible for one individual to keep all information in his head, but that he should at least know where to obtain it quickly when required. The Statistical Department in an accountant's office stores information and holds it ready on demand, leaving the minds of the principals and their staff free for more important matter.

(4) The Filing Department is of especial importance by reason of the confidential character of the Public Accountant's work. The papers should be preserved in such a way that access can only be obtained to them by two or three people authorized for their custody; and at the same time the system must be such that papers required for reference in connection with pending work can be obtained at a minute's notice.

(5) The Finance Department has the control of the accounts of the business consisting of the time records of the staff (forming the basis for the cost accounts), the rendering of bills for work performed, the keeping of the necessary books of accounts, the preparation of periodical statements of busi-

ness done and the profit or loss thereon. The importance of a proper system of cost accounts is not always recognized among the profession, and it may, perhaps, be said that it is the exception rather than the rule for any records to be kept in addition to the number of hours expended upon any case. The value of a complete ascertainment of cost can not be overstated, especially in view of the different grades of salary paid for different classes of work and the consequent unreliability as a basis of charges of the number of hours expended without the introduction of some equivalent to represent the money value of those hours.

The above form the essential features of an office organization, whether large or small. Although in the latter case the lines of division between the different departments will not be so clearly defined and much of the office work may even be done by the principal himself, yet it is all equally necessary for his complete equipment. Some may, perhaps, be disposed to add to this a Promotion Department, whose work might consist entirely in endeavors to obtain new business. Such a development, however, is one to be deprecated as not being consistent with the professional character of the Public Accountant's work, and especially as being derogatory to his high standing and to his confidential relations with his clients. Such methods are usually confined to so-called Audit Companies, whose object seems to be to carry on a purely commercial business on commercial lines, rather than to practice an honorable professional calling. It may well be asked what respect can be expected for professional work carried on under such conditions; and it is certain that the high aims set forth in this paper on behalf of the profession—aims which have been largely realized in other countries and are in a fair way to realization here—will never be attained if such purely commercial ideas are permitted to obtain a foothold among the general body of what should be an honorable and distinguished profession.

The selection and maintenance of a thoroughly trained and experienced staff is essential to a proper conduct of the accountant's work, and necessarily involves carrying that staff through regularly recurring periods of slack work or business depression.

Universities and colleges are now maintaining special courses of study designed to train men for the accounting profession. These courses are usually laid out on excellent lines and undoubtedly are of great value as a preliminary education, but enough has probably now been said to show that any such education can only be considered as preliminary and that the student who has passed through such a course and its accompanying qualifying examinations is only then on the threshold of his profession. His real experience begins when he enters the office of an accountant and settles down to hard, practical work, much of which must necessarily for a year or so, at any rate, seem to him mere drudgery. It is, however, none the less essential, and long experience brings the conviction that the only way to build up a thoroughly valuable organization is to start men at the bottom rung of the office ladder and let them gradually work up to higher positions, step by step, as they can demonstrate their ability to fill them. The whole progress of a member of the staff through the office is a continuous education, lasting, though perhaps in a lesser degree, even after he has reached the highest available positions. It is for this reason that the salaries paid in the junior positions in accountant's offices are, as a rule, lower than would be paid for somewhat similar work in a commercial business, and that the exacting and responsible work which the accountant performs for his clients is carried out on a lower basis of remuneration than in many other professions.

Another essential feature in staff organization is that it should aim at general experience in all kinds of business rather than at specialization in one or two subjects. Specialization to a certain extent is bound to exist; certain men will be found to be fitted for or to take a fancy to some particular class of work rather than another and will be preferably allocated to such work; but to carry this principle to any extreme, to create certain departments for certain work and to give the staff engaged thereon no opportunities of obtaining a wider experience in other branches of business, is to deprive them of opportunities for acquiring knowledge and experience, and that many-sidedness which forms one of the most important qualifications for future success. Methods of accounting, books of account, systems of internal check, preparation of systems and forms, defalca-

tions and embezzlements, and, in fact, nearly all matters which come before the Public Accountant, in the course of his practice, involve the same basic principles, and with the exception of a few technical terms peculiar to each class, which are easily mastered in a few hours, apply equally to all kinds of commercial, industrial, and general business. It is in the accountant's knowledge of these general principles, in his full experience in their application, and in his power and ability to adapt them to all the varied cases that may come before him that his real usefulness to his client lies; to specialize in one particular class of business, or one particular class of work, is to deprive himself of a very large proportion of that usefulness.

The Public Accountant employs his staff for the purpose of—

(1) Ascertaining the facts, and

(2) Preparing statements of such facts in any desired form.

In this work close supervision and direction of a principal is essential to good work, and he can not exercise this supervision properly unless he knows more than his assistants, and is fully competent to take up the work and do it himself if necessary. Hence the necessity for the assistant to work his way up steadily from the bottom to the top, so that when it comes to his turn to organize and direct his own business he may be eminently fitted to show his assistants the best way to do everything, from adding up a column of figures or counting securities, to preparing complicated accounts or devising systems and forms.

The practice of the Public Accountant involves highly difficult and responsible duties and calls for qualifications of no mean order, and the importance of the training of the accountant's clerk will be seen from the following statements of those qualifications which long experience has shown to be the most essential:

(1) A thorough and complete knowledge of accounting principles, gained partly from theory, but to a much greater extent from practice and experience under the supervision and direction of his seniors.

(2) Familiarity with figures; the faculty of quickly grasping the meaning and purport of financial statements and ac-

counts, and the principles, commercial or legal, upon which they are based.

(3) A legal and judicial mind accustomed to weigh facts and to attach to them their relative importance, and so quickly to reach the core of the case and form a conclusion as to the equities involved.

(4) The ability to argue and discuss a point, either as an advocate for the purpose of getting at the other side of the question or as a judge in order to put all sides of the question in their proper light.

(5) A sound knowledge of business and financial methods, and the principles, economic and legal, which govern them, derived mainly from a varied experience.

(6) Above all, absolute integrity combined with a superabundance of tact and good temper.

This list of qualifications merely illustrates an ideal which every member should have steadily before him, but which few can hope to attain completely; but it suffices to show that the qualifications for conspicuous success in this profession are in the main the same as in any other, and that no one can hope to become a leading Public Accountant by short cuts any more than he can so become a great judge, a great lawyer or a great doctor, or, in fact, can attain eminence in any other profession.

X. Forms of Report.

The facts having been obtained and placed into desired shape, it remains for the principals to determine upon the form in which the information should be transmitted to the client. This is the moment at which the training, experience and ability of many years is most necessary, and the work can not, therefore, with justice to the client's interests, be delegated to others.

The facts as ascertained must not be colored in favor of his client or against his client's opponent, if there be one. His report must be based upon a statement, to use an old expression which in these modern days is too often neglected, of "the truth, the whole truth and nothing but the truth," and should be irrespective entirely of the party for whom the report is made.

It is not permissible for an accountant to conceal or to be a party to the concealment of any material fact, nor must he so

state the material facts as to give them greater importance than they deserve relative to other facts. He is not an advocate but a judge, and, like a judge, in all his public acts he must not take sides but must remain absolutely impartial. In giving evidence the same attitude is necessary, with this difference—that like any other witness an accountant should not volunteer information, but his client must understand that he will not aid in concealing the facts, but will truly express his own opinion if the questions of the opposing counsel require answers on such points.

His position is an absolutely confidential one; no information obtained during the progress of his work, either directly or indirectly, must be imparted to others, whether they be individuals or courts of justice, without the authority of his client. The law in this country has not generally recognized this privilege; but inasmuch as the accountant is in most cases called as an " expert," he can not be compelled to testify, and it will usually be found that the courts are prepared to admit this claim of privilege. At the same time he may, according to the present status of the law, be put in the position of answering questions and so disclosing information which he has obtained in his confidential capacity, or in default be committed for contempt of court; in such cases his duty and interests are identical and he has the alternative before him of refusing to answer or seriously damaging his practice. It is to be hoped that this unfortunate position may be generally avoided by the courtesy of the courts, if not by statute law, and that he may be placed on the same ground as other professional men and be permitted to plead that the communications made to him are privileged and not to be reported without the consent of his clients.

As to the form in which his report should be rendered the Public Accountant must, of course, be guided largely by the subject matter, but it is possible to lay down a few general principles which should be adhered to as far as possible. Careful attention should be given to the literary character of the documents; figures make dull reading even to the initiated and a style which will deal with them in concise narrative form will undoubtedly appeal to clients. At the same time a literary effort designed merely to please the ear by stringing together a num-

ber of pretty phrases, which on careful analysis mean little or nothing, is to be deprecated.

The order in which subjects are dealt with is of material importance; a little preliminary thought as to the order in which items in the accounts are usually stated and as to the relative importance of the points discussed will usually establish the logical sequence of the report; and since the writer's endeavor is to attract and hold the attention of the reader from the outset, the more important conclusions and points should, if possible, be brought out early in the report. Where a report deals with an undertaking with which the client is not familiar it may with advantage begin with a short historical section which will make later comment more readily appreciated. Remembering also that the client is usually a busy man of affairs, care should be taken that the statements of figures embodied in the report should be those, and those only, which will suffice to set forth the salient features disclosed by the examination. To include in the body of the report masses of dry detail figures which are merely the material upon which the findings are based, or to relegate to exhibits those figures which are essential to a proper understanding of the subject, detracts from the value of the report. Detail figures indeed, unless specially required, should be eliminated from both report and exhibits. They cost money to produce and time to read and understand, and frequently are entirely unimportant in considering the situation or conditions for which the report is required.

And finally there should be no appearance throughout the report of any attempt to make out a case, or to attribute undue importance to any point, for the purpose of currying favor with any one. The tone of the report should be marked by justice and moderation, and it is a good rule for the accountant in making his final revision to imagine himself under cross-examination, and then to expunge or modify any statements which under such cross-examination he may feel he could not substantiate.

The importance of the ability to write a good report can not be over-estimated, especially when it is considered that in the majority of cases the only opportunity the client has of judging

of the value of the work for which he is paying is by the contents of the report. Many a good piece of work has failed of the appreciation which it deserved, owing to inability to express the results in a good report, which would carry conviction with it; and on the other hand, unfortunately, many a poor piece of work has received more than due credit, owing to the excellence of the form in which the final conclusions were embodied.

Bearing this importance in mind it is a most essential part in the training of a young accountant that he should acquire ease and facility in converting the results of his work into just the right kind of report, and many firms make it a practice to require their assistants to put into report form the results of every small piece of individual work with which they may be entrusted. These subsidiary reports form a good record to be filed with the working papers of the work that has been done, and of the way in which it has been done, and are also an invaluable training for the assistants themselves.

In concluding this paper the hope may be expressed that it may be of some interest to each of the various classes of readers to whom it is intended to appeal. Necessarily general in its character it may perhaps suggest to practicing accountants some subjects which might be more fully dealt with in future papers to the advantage of the whole profession. If at the same time it helps in some small degree towards the realization by the student members of the fact that they are entering into a profession full of difficult problems, and calling for the exercise of all their ability, tact, and courage; and by the larger public of the growing importance of the Accountant in the business world, the labor involved in its preparation will have been amply repaid.

APPENDIX.

Sections of the English Laws Relating to the Audit of Accounts.

COMPANIES' ACT, 1862.

Schedule 1 (known as "Table A")

Section 83: Once at the least in every year, the accounts of the company shall be examined, and the correctness of the balance sheet ascertained, by one or more auditor or auditors.

SECTION 84: The first auditors shall be appointed by the directors: subsequent auditors shall be appointed by the company in general meeting.

SECTION 85: If one auditor only is appointed, all the provisions herein contained relating to auditors shall apply to him.

SECTION 86: The auditors may be members of the company, but no person is eligible as an auditor who is interested otherwise than as a member in any transaction of the company, and no director or other officer of the company is eligible during his continuance in office.

SECTION 87: The election of auditors shall be made by the company at their ordinary meeting in each year.

SECTION 88: The remuneration of the first auditors shall be fixed by the directors, that of subsequent auditors shall be fixed by the company in general meeting.

SECTION 89: Any auditor shall be re-eligible on his quitting office.

SECTION 90: If any casual vacancy occurs in the office of any auditor appointed by the company, the directors shall forthwith call an extraordinary general meeting for the purpose of supplying the same.

SECTION 91: If no election of auditors is made in manner aforesaid, the Board of Trade may, on the application of not less than five members of the company, appoint an auditor for the current year, and fix the remuneration to be paid to him by the company for his services.

SECTION 92: Every auditor shall be supplied with a copy of the balance sheet, and it shall be his duty to examine the same, with the accounts and vouchers relating thereto.

SECTION 93: Every auditor shall have a list delivered to him of all books kept by the company, and shall at all reasonable times have access to the books and accounts of the company; he may, at the expense of the company, employ accountants or other persons to assist him in investigating such accounts, and he may, in relation to such accounts, examine the directors or any other officer of the company.

SECTION 94: The auditors shall make a report to the members upon the balance sheet and accounts, and in every such report they shall state whether, in their opinion, the balance sheet is a full and fair balance sheet containing the particulars required by these regulations, and properly drawn up so as to exhibit a true and correct view of the state of the company's affairs, and, in case they have called for explanations or information from the directors, whether such explanations or information have been given by the directors, and whether they have been satisfactory; and such report shall be read, together with the report of the directors, at the ordinary meeting.

COMPANIES' ACT, 1879.

SECTION 7: (1) Once, at the least, in every year, the accounts of every banking company registered after the passing of this act as a limited company shall be examined by an auditor or auditors, who shall be elected annually by the company in general meeting.

(2) A director or officer of the company shall not be capable of being elected auditor of such company.

(3) An auditor on quitting office shall be re-eligible.

(4) If any casual vacancy occurs in the office of any auditor, the surviving auditor or auditors (if any) may act, but if there is no surviving auditor, the directors shall forthwith call an extraordinary general meeting for the purpose of supplying the vacancy or vacancies in the auditorship.

(5) Every auditor shall have a list delivered to him of all books kept by the company, and shall at all reasonable times have access to the books and accounts of the company; and any auditor may, in relation to such books and accounts, examine the directors or any other officer of the company. Provided, that, if a banking company has branch banks beyond the limits of Europe, it shall be sufficient if the auditor is allowed access to such copies of and extracts from the books and accounts of any such branch as may have been transmitted to the head office of the banking company in the United Kingdom.

(6) The auditor or auditors shall make a report to the members on the accounts examined by him or them, and on every balance sheet laid before the company in general meeting during his or their tenure of office, and, in every such report, shall state whether, in his or their opinion, the balance sheet referred to in the report is a full and fair balance sheet properly drawn up, so as to exhibit a true and correct view of the state of the company's affairs, as shown by the books of the company; and such report shall be read before the company in general meeting.

(7) The remuneration of the auditor or auditors shall be fixed by the general meeting appointing such auditor or auditors, and shall be paid by the company.

SECTION 8: Every balance sheet submitted to the annual or other meeting of the members of every banking company registered after the passing of this act as a limited company shall be signed by the auditor or auditors, and by the secretary or manager (if any), and by the directors of the company, or three of such directors at the least.

COMPANIES' ACT, 1900.

SECTION 21: (1) Every company shall, at each annual general meeting, appoint an auditor or auditors to hold office until the next annual general meeting.

(2) If an appointment of auditors is not made at an annual general meeting, the Board of Trade may, on the application of any member of the company, appoint an auditor of the company for the current year, and fix the remuneration to be paid to him by the company for his services.

(3) A director or officer of the company shall not be capable of being appointed auditor of the company.

(4) The first auditors of the company may be appointed by the directors before the statutory meeting, and, if so appointed, shall hold office until the first annual general meeting, unless previously removed by a resolution of the shareholders in general meeting, in which case the shareholders at such meeting may appoint auditors.

(5) The directors of a company may fill any casual vacancy in the office of auditor, but, while any such vacancy continues, the surviving or continuing auditor or auditors (if any) may act.

SECTION 22: The remuneration of the auditors of a company shall be fixed by the company in general meeting, except that the remuneration of any auditors appointed before the statutory meeting, or to fill any casual vacancy may be fixed by the directors.

* SECTION 23: Every auditor of a company shall have a right of access at all times to the books and accounts and vouchers of the company, and shall be entitled to require from the directors and officers of the company such information and explanation as may be necessary for the performance of the duties of the auditors, and the auditors shall sign a certificate at the foot of the balance sheet stating whether or not all their requirements as auditors have been complied with, and shall make a report to the shareholders on the accounts examined by them, and on every balance sheet laid before the company in general meeting during their tenure of office; and in every such report shall state whether, in their opinion, the balance sheet referred to in the report is properly drawn up so as to exhibit a true and correct view of the state of the company's affairs as shown by the books of the company, and such report shall be read before the company in general meeting.

COMPANIES' ACT, 1907.

SECTION 19: (1) Every auditor of the company shall have a right of access at all times to the books and accounts and vouchers of the company, and shall be entitled to require from the directors and officers of the company such information and explanation as may be necessary for the performance of the duties of the auditors.

(2) The auditors shall make a report to the shareholders on the accounts examined by them, and on every balance sheet laid before the company in general meeting during their tenure of office, and the report shall state:

(a) Whether or not they have obtained all the information and explanations they have required; and

(b) Whether, in their opinion, the balance sheet referred to in the report is properly drawn up so as to exhibit a true and correct view of the state of the company's affairs accord-

* This section is repealed by Section 19 of Companies, Act 1907

ing to the best of their information and the explanations given to them, and as shown by the books of the company.

(3) The balance sheet shall be signed on behalf of the board by two of the directors of the company, or, if there is only one director, by that director and the auditors' report shall be attached to the balance sheet a reference to the report, and the report shall be read before the company in general meeting, and shall be open to inspection by any shareholder, who shall be entitled to be furnished with a copy of the balance sheet and auditors' report at a charge not exceeding sixpence for every hundred words.

(4) A person, other than a retiring auditor, shall not be capable of being appointed auditor at an annual general meeting unless notice of an intention to nominate that person to the office of auditor has been given by a shareholder to the company not less than fourteen days before the annual general meeting, and the company shall send a copy of any such notice to the retiring auditor, and shall give notice thereof to the shareholders, either by advertisement, or in any other mode allowed by the articles, not less than seven days before the annual general meeting. Provided, that if, after a notice of the intention to nominate an auditor has been so given, an annual general meeting is called for a date fourteen days or less after that notice has been given, the notice, though not given within the time required by this provision, shall be deemed to have been properly given for the purposes thereof, and the notice to be sent or given by the company may, instead of being sent or given within the time required by this provision, be sent or given at the same time as the notice of the general annual meeting.

(5) If any copy of a balance sheet which has not been signed as required by this section is issued, circulated, or published, or, if any copy of a balance sheet is issued, circulated, or published without either having a copy of the auditor's report attached thereto, or containing such reference to that report as is required by this section, the company, and every director, manager, secretary, or other officer of the company, who is knowingly a party to the default, shall on conviction be liable to a fine not exceeding fifty pounds.

SECTION 21: Every company required to forward to the Registrar a summary under Section 26 of the Companies Act, 1862, shall include in that summary a statement, made up to such date as may be specified in the statement, in the form of a balance sheet, audited by the company's auditors, and containing a summary of its capital, its liabilities, and its assets, giving such particulars as will disclose the general nature of such liabilities and assets, and how the values of the fixed assets have been arrived at, but the balance sheet need not include a statement of profit and loss. Provided that this section shall not apply to any private company.

SECTIONS OF THE ENGLISH LAWS RELATING TO PROSPECTUSES.

COMPANIES' ACT, 1900.

SECTION 9: (1) Every prospectus issued by or on behalf of a company or in relation to any intended company shall be dated, and that date shall, unless the contrary be proved, be taken as the date of publication of the prospectus.

(2) A copy of every such prospectus shall be signed by every person who is named therein as a director or proposed director of the company, or by his agent authorized in writing, and shall be filed with the Registrar on or before the date of its publication.

(3) The Registrar shall not register any prospectus unless it is so dated and signed. No prospectus shall be issued until so filed for registration, and every prospectus shall state on the face of it that it has been so filed.

COMPANIES' ACT, 1907.

SECTION 2: (1) Every prospectus issued by or on behalf of a company, or by or on behalf of any person who is or has been engaged or interested in the formation of the company, must state:

(a) The contents of the memorandum of association, with the names, descriptions, and addresses of the signatories, and the number of shares subscribed for by them respectively; and the number of founders or management or deferred shares, if any, and the nature and extent of the interest of the holders in the property and profits of the company; and

(b) The number of shares, if any, fixed by the articles of association as the qualification of a director, and any provision in the articles of association as to the remuneration of the directors; and

(c) The names, descriptions, and addresses of the directors or proposed directors; and

(d) The minimum subscription on which the directors may proceed to allotment, and the amount payable on application and allotment on each share; and, in the case of a second or subsequent offer of shares, the amount offered for subscription on each previous allotment made within the two preceding years, and the amount actually allotted; and the amount, if any, paid on such shares; and

(e) The number and amount of shares and debentures which within the two preceding years have been issued, or agreed to be issued, as fully or partly paid up otherwise than in cash, and, in the latter case, the extent to which they are

so paid up; and, in either case, the consideration for which such shares or debentures have been issued or are proposed or intended to be issued; and

(f) The names and addresses of the vendors of any property purchased or acquired by the company, or proposed so to be purchased or acquired, which is to be paid for wholly or partly out of the proceeds of the issue offered for subscription by the prospectus, or the purchase or acquisition of which has not been completed at the date of publication of the prospectus, and the amount payable in cash, shares, or debentures to the vendor, and, where there is more than one separate vendor, or the company is a sub-purchaser, the amount so payable to each vendor; provided that, where the vendors or any of them are a firm, the members of the firm shall not be treated as separate vendors; and

(g) The amount (if any) paid or payable as purchase money in cash, shares, or debentures of any such property as aforesaid, specifying the amount (if any) payable for goodwill; and

(h) The amount (if any) paid within the two preceding years, or payable as commission for subscribing or agreeing to subscribe, or procuring or agreeing to procure subscriptions, for any shares in, or debentures of, the company, or the rate of any such commission; provided that it shall not be necessary to state the commission payable to sub-underwriters; and

(i) The amount or estimated amount of preliminary expenses; and

(j) The amount paid within the two preceding years, or intended to be paid to any promoter, and the consideration for any such payments; and

(k) The dates of and parties to every material contract, and a reasonable time and place at which any material contract or a copy thereof may be inspected: Provided, that this requirement shall not apply to a contract entered into in the ordinary course of the business carried on or intended to be carried on by the company, or to any contract entered into more than two years before the date of publication of the prospectus; and

(l) The names and addresses of the auditors (if any) of the company; and

(m) Full particulars of the nature and extent of the interest (if any) of every director in the promotion of, or in the property proposed to be acquired by, the company, or, where

the interest of such a director consists in being a partner in a firm, the nature and extent of the interest of the firm, with a statement of all sums paid or agreed to be paid to him or to the firm in cash or shares or otherwise by any person either to induce him to become, or to qualify him as a director, or otherwise, for services rendered by him or by the firm in connection with the promotion or formation of the company; and

(n) Where the company is a company having shares of more than one class, the right of voting at meetings of the company conferred by the several classes of shares respectively.

(2) The said section of the Companies' Act, 1900, shall not apply to a circular or notice inviting existing members or debenture holders of the company to subscribe for shares or debentures of the company, whether with or without the right to renounce in favor of other persons, and accordingly in subsection four of that section for the words "for further shares or debentures" there shall be substituted the words "for shares or debentures of the company, whether with or without the right to renounce in favor of other persons."

OTHER PROVISIONS RELATING TO ACCOUNTS.

COMPANIES' ACT, 1907.

SECTION 7: The total amount of the sums paid by way of commission in respect of any shares or debentures or allowed by way of discount in respect of any debentures shall be stated in the summary made under Section 26 of the Companies' Act, 1862, next made after the payment of the commission or the allowance of the discount, and the total amount thereof, or so much thereof as has not been written off, shall be stated in every balance sheet until the whole amount thereof has been written off.

SECTION 9: Where any shares of a company are issued for the purpose of raising money to defray the expenses of the construction of any works or buildings or the provision of any plant which can not be made profitable for a lengthened period, the company may pay interest on so much of such share capital as is for the time being paid up for the period and subject to the conditions and restrictions in this section mentioned, and may charge the same to capital as part of the cost of construction of the work, building, or plant:

Provided that: (1) No such payment shall be made unless the same is authorized by the company's articles of association or by special resolution of the company.

(2) No such payment, whether authorized by the articles of association or by special resolution, shall be made without the previous sanction of the Board of Trade.

(3) Before sanctioning any such payment, the Board of Trade may, at the expense of the company, appoint a person to inquire and report to them as to the circumstances of the case, and may, before making the appointment, require the company to give security for payment of the costs of the inquiry.

(4) The payment shall be made only for such period as may be determined by the Board of Trade; and such period shall in no case extend beyond the close of the half year next after the half year during which the works or buildings have been actually completed or the plant provided:

(5) The rate of interest shall in no case exceed four per cent. per annum or such lower rate as may for the time being be prescribed by Order in Council.

(6) The payment of such interest shall not operate as a reduction of the amount paid up on the shares in respect of which it is paid.

(7) The accounts of the company shall show the capital on which, and the rate at which, interest has been paid out of capital during the period to which the accounts relate.

(8) Nothing in this section shall affect any company to which the Indian Railways Act, 1894, as amended by any subsequent enactment, applies.

Discussion.

Mr. George O. May (New York) in presenting the paper: It is rather unfortunate in view of Mr. Adams' closing paragraph that Mr. Dickinson's paper should be twice the length of Mr. Adams', especially as Mr Dickinson has asked me to say in presenting it that he realizes there is not much new in it, and only hopes that the further comment that "what is new is not true," does not apply. His paper ranges over a wide number of subjects with which everybody is familiar, and therefore instead of reading any of the sections of it specifically, I will summarize some of the points. The first subject with which he deals, is the annual examination and certification or audit of accounts, and the point he wishes to draw attention to is the English Companies' Act of 1907, which establishes a condition that it would certainly be advantageous to arrive at in this country. He points out that the present law represents the crystalization of the best customs of the most reputable companies adopted as the result of the forty-five years' experience under the law of limited liability in that country, since the act of 1862 was passed, and it is only by a similar process

that satisfactory legislation can be had here. The provisions as to the auditor's rights and responsibilities under the Acts of 1907 are very fully set forth in the appendix summarized on page 192. On page 193 he emphasizes the importance of the auditors being appointed by the shareholders rather than by the directors or officers of a corporation. In England, the auditor of a corporation is always appointed by the shareholders, while in America, at present, with a few notable exceptions, he is appointed by the directors or officers. On page 194 he urges the dangers of the compulsory government audit, and argues that the practice should be avoided rather than extended. His view of the situation, on page 195, as to the responsibility which the public accountant assumes in certifying to the accounts of a corporation is well defined in the form of certificate required by the English Companies Act of 1907, which states that "the auditor shall report, whether in his opinion, the balance sheet is drawn up so as to exhibit a true and correct state of the company's affairs, according to the best of his information and the explanations given him, and as shown by the books of the company." I would like to call your attention to page 197, regarding qualifications and such phrases as "accepting" or "subject to" such and such a condition of things, which should be used very guardedly. The former words should imply that while the accountant is not in a position to verify the statement to which it relates, yet he has no reason to believe that it is inaccurate in any respect; while the expression "subject to" should imply that the accountant is not satisfied with the conditions disclosed, and is prepared only to certify to the accuracy of the statement excluding the items to which he takes exception. On pages 199 and 200, you see a reference to the new currency law and to the fact that coincidentally with the passage of the new law, the Committee on Credit Information of the American Bankers' Association has submitted a somewhat noteworthy report in which an extension of the practice of discounting commercial bills is advocated. This is a very important communication so far as the American Bankers' Association is concerned. The committee further reported that they had been unable to get the clearing house to take the action that they had asked them to take. Under heading of "Form of Accounts," I think there is nothing to which I wish to draw your attention particularly except the provisions as to the English

companies' accounts. Just how this will work in practice we do not know. Perhaps some of our English guests will give us the benefit of their experience later in the afternoon. Under the "issue of new securities," again the new English act of 1907 carries the law a little further than we do. "Under the English Companies' Acts of 1900 and 1907 (Appendix), every company inviting subscriptions for capital is required to file with the registrar of joint stock companies, a copy of its prospectus, or, if there is no prospectus, a statement in lieu of the prospectus, containing the following, among other information: The names and addresses of the directors; the names and addresses of the vendors of the property purchased or proposed to be purchased or acquired; the purchase price, distinguishing the amount paid for goodwill," etc. It is compelled to give the prospective stockholder all the material information that he can fairly ask. At the present the people in America who are investors and stockholders do not get all the information they might fairly ask, or, if they do get it, they get it at third or fourth hand and not authoritatively. There is not any immediate probability of our getting any such legislation passed in America as prevails in England, but if promoters would realize the advantage of giving investors such information a similar practice might grow up here through public opinion. On page 208, the first paragraph, he says, "On the other hand, while the public accountant is bound to see that all material facts are set out in his certificate, he is equally bound to see that they are not set out in such a way as to unduly prejudice the promoters' or vendors' legitimate interests by reducing the earnings below the figure at which they may fairly be stated, or by omitting to adjust extraordinary items of expense or revenue." On page 209, there is a point in regard to guaranteeing accounts and similar matters, which is of considerable importance, and from recent experience of my firm, is one that is very often overlooked. I do not think there is anything in the rest of the paper that I will ask you to listen to, as no important principles are involved.

THE PRESIDENT: I am requested to say that the gentlemen who will follow Mr. Dickinson's paper are dealing with the paper in the reverse order from that in our program.

Accounting Practice and Procedure.

J. PORTER JOPLIN, C. P. A., (Illinois):

Through the courtesy of the Committee on Annual Meeting 1908 of this Association, it was my privilage to receive proof sheets of the most exhaustive and excellent paper on Accounting Practice and Procedure, by A. Lowes Dickinson, Esq., and as I was requested by the committee to briefly discuss this paper, I have prepared a few remarks relative thereto.

In his introduction Mr. Dickinson makes reference to the class in our ranks to whom such papers as the one just presented will prove of inestimable value; that is the student members, the young men in our offices who are on the threshold of the profession. I am constrained, however, to say that in my opinion, the paper will reach much further, being valuable not only to the students and juniors in our offices, but to the profession generally, and when the high ideals pointed out are carried into effect, our profession will receive greater recognition than is now obtained. We owe Mr. Dickinson our sincere thanks for his efforts in behalf of our profession.

The paper in its entirety, covers most fully all the practice of accountancy and procedure, and the methods to be adopted are most carefully elaborated and explained. The interesting statement of the Company's Act of England, with the Appendix, will prove of great value as a guide to the practitioner, as well as to the student, and our hope is that the day may not be far distant when we shall have similar acts and requirements in our country.

In reviewing the paper, I find it possible only to touch on one or two points, and that very briefly.

Undoubtedly it will be of great advantage to the investor in this country, when it is realized that the only safe way for an audit to be initiated is by appointment through the stockholders of the corporation to be examined. This is very clearly brought out, so clearly in fact, that there is little to be added. It may, however, be well to show our approval by taking steps wherever possible to bring about such results.

This can be done only by reaching the stockholders, through some such means as papers read before conventions, or published in trade and other periodicals. It is apparently the duty of the Committee on Meetings, Lectures, Library, and Bulletins, to do

something of this kind, but they do not seem to have accomplished anything along this line.

The note of warning sounded when referring to compulsory government audits, is one to which we may well give our attention. The unsatisfactory results of National bank examinations, and of examinations made by State insurance departments are well known to all present, and the general public is awakening to the inefficiency of such class of audits. To add to government supervision in the light of past events would be most deplorable. An experience had some years ago will illustrate the case in point. During the examination of a fire insurance company, the secretary, wishing to lighten the labor with a little cheer by the wayside, produced from his archives a certificate given his company by a pair of examiners from a sister state, who had pounced down upon him to make an examination. The examination was completed in short order, and demand made for a considerable fee. The fee was forthcoming with the statement that a certificate of the accounts would be appreciated. The certificate was written out, setting forth the fact that an examination of the accounts had been made and that they were found correct and that the re-insurance reserve had been computed and verified on the actuarial three per cent. plan. It is to be remembered that the company under examination was engaged in fire insurance only.

Mr. Dickinson mentions the difference between the legal responsibility of the official examiner, and the moral responsibility of the public accountant, but in my opinion, he has not sufficiently elucidated his point. It may be better understood if we study a concrete case, the banking situation in Chicago. As a rule the National bank examiners in that city have been competent men, but their duty is only to point out actual infractions of the law. Recognizing the fact that certain practices on the part of banks may be strictly legal, and yet highly injudicious and dangerous, the Chicago Clearing House has appointed a special examiner to examine and report upon all the banks clearing through it, directly or indirectly. It is manifest that the scope of the inquiry of the special examiner is very much more extensive than that of the official who is hampered by the regulations of his department, and for whom there is little or no incentive to independent action.

The distinction between illegal and injudicious practices is found in all other corporations as well as in banks, and therefore the danger that the official examination of ordinary corporations would be as formal and perfunctory in regard to these concerns as is now the case in bank examinations, is certainly decidedly threatening.

Referring to the responsibility assumed by the public accountant when giving a certificate, it is well to note Mr. Dickinson's lucid explanation of what a certificate is, and our attention is drawn to the moral rather than the legal responsibility. In our examinations and reports thereon, it should be borne well in mind that the unsuspecting investor and the small stockholder will be inclined to take the reading literally, and for this reason the certificate can not be too carefully stated as to facts and conditions.

In the treatment of the subject of "Form of Accounts," we find a clear explanation of what is generally considered desirable, and attention is drawn to the requirements of the English Company's Act 1907. Section twenty-one of this act demands the publication of the balance sheet of every company drawn up so as to show the general nature of the assets and liabilities, and how the values of fixed assets have been arrived at. If in this country it would be possible on all occasions to carry out such conditions, undoubtedly it would be largely to the benefit of the investing community. Not infrequently balance sheets presented by directors of corporations, and certified to by a public accountant, contain items among the assets of undeterminable value, without explanation. Publicity in this direction is much to be desired. The mere fact that the auditor has qualified his certificate by assuming no responsibility for certain items is not sufficient, and it is to be hoped that sooner or later, in this, as well as in other countries, balance sheets will be so clearly stated that when preparing an accompanying certificate there will be no need for qualification by the auditor. Referring to the statement of profits, the classification as presented is admirable and clear, a detailed explanation being given as to what may and what may not be charged against profits following the closing of the operating account and the income account.

I am, however, inclined to take exception to the method out-

lined for handling items omitted at the period at which they should have appeared, but chargeable to operating and income account or the reverse. The common practice when dealing with such items is to charge or credit them to profit and loss where they appear as extraordinary items. Obviously omission of an item at a certain date would mean a replacement when the omission was discovered, and it would seem to hold good that this would also apply if the discovery was made after the closing period of a business had taken place. However, if the omitted items were charged or credited direct to profit and loss or surplus, their nature would be plainly shown, and when a surplus balance is brought forward at the commencement of a closing period it will be lessened or increased from the figures shown on the balance sheet at the previous closing period. A table showing the connection between the closing figures of one period and the opening figures of the next period would be a special exhibit. By pursuing this plan the items would have taken their rightful places or have been charged or credited back to operating or income of former years, where they could be allocated correctly when making comparative statements of business for periods of time. I have in mind instances where discrepancies in inventories ran into large figures, and by adjustments made as outlined herein clear exhibits of actual income were possible. The plan as shown by Mr. Dickinson in this particular, in my opinion, would not provide a fair exhibit of each year's operations, which seems to be most desirable.

One of the much discussed avenues for the increased usefulness of the accountant is shown in the section designated "Relation with the Banker." The accountant has long known that he can be of valuable service in certifying accounts of borrowers who desire commercial credit with the bankers. Should this practice become a more universal requirement the community will be benefited, and confidence will be greater, and the banker will be made more secure. It is a matter of considerable surprise that purely commercial paper based on actual transactions has been so little in general use, and the currency law referred to may have the effect of increasing a practice which is preferable to some methods now adopted for raising needed funds. As commercial paper is designated in the currency law as being the basis of additional circulation for the banks, the accountant's

usefulness will doubless be increased in certifying to required conditions.

The plan outlined when a consolidation of a number of businesses is contemplated should meet with general approval, and will avoid much disagreement after the consolidation has been completed. It should also prevent the possibility of dissatified stockholders harking back to unfulfilled promises. When a new corporation is floated the better way is to attach to the prospectus the accountant's certificate as to past earnings, and this certificate should be most carefully prepared so that no misundertsanding as to its character may be possible. In the section which treats with this subject it is plainly pointed out that the utmost skill should be used and the greatest care taken in determining profits on such occasions, and wherever possible statements of fixed assets should be substantiated by valuations and appraisals.

I regret my inability to go any further into Mr. Dickinson's paper, but the time limit prevents.

MR. ALEX. E. FOWLIE (Colorado): Mr. President and gentlemen of the convention, Colorado is singularly honored in having her representative assigned to lead in the discussion of the very able paper presented by Mr. Dickinson.

Under arrangement, Mr. Joplin has taken up the first half of the paper, and with your kind consideration, I will say a few words, commencing with section 6.

There can but little be said in anything but laudatory terms of the excellent treatise under discussion, and so well and completely has the ground been covered in abridged form that it is your speaker's only intention, by queries propounded or exceptions taken, to draw out such discussion as will be profitable, as well as interesting, to every accountant present—remembering at all times that the kindest consideration shall be given to personal views.

The accountant, like his learned brother in the professions of law and medicine, as soon as his practice will justify, begins to specialize—and when the accountant becomes, by special training and experience, thus qualified, he may with credit to himself and the profession, accept appointments as receiver or assignee—but I question if it be not better, in many instances, to act as the advisor of, rather than to accept the appointment itself.

While the accountant is, or should be, an all around business man, yet there are qualifications in which he may be lacking, called for by such appointments.

Not every man will make a successful manager—who can handle men—who can successfully cope with business rivals in the particular line in question—or—who is a thorough machinist from the ground up—with full and comprehensive knowledge of every detail of his working plant.

Perhaps he is not a salesman, and comprehends not the needs and requirements of the trade. The accountant must know his qualifications, and keep within bounds.

All work to which he puts his hand must be carried to successful completion.

It must be most efficient—with his training there is no excuse for errors, either of omission or commission.

In the matter of reorganization, there is need of legal advice, and the field is open to the specialists in this line, each to his particular field, and it is gravely questioned if the accountant is always the man to place in charge of large industrial reorganizations.

"Cost Accounting and Systems."

Here is a subject in itself. Modern business, both in methods and in volume, has increased so rapidly that the successful man must keep close and accurate account of his costs.

Cost accounting is comparatively a new departure in the accounting world. Twenty-five years ago there was not the demand nor the necessity that exists to-day.

The improvements and increase of transportation facilities has changed the commercial world. Competition has grown up in industrial lines, and it has been a vital factor in business to know, and be sure of your grounds, the *cost.*

Nothing must be omitted, or the fractional cents of "profits" may, after it is too late, be found erroneous, and the business irretrievably ruined.

The temptation with the manufacturer, with the merchant, to meet the competitors' figure is strong, and he must *know,* not estimate. The accountant here becomes an important factor, but here again he must profit by the experience of the man who is trained in the every day world, in the particular business.

Many problems will arise, and must be threshed out before satisfactory results will be obtained.

Briefly, the cost of an article may be divided into four divisions: Material, labor, expense and depreciation, selling expense.

The study given the division of "depreciation" alone has caused many of the gray hairs here assembled.

Take some manufactured article—during the process of manufacture a certain machine is used—an improvement in this special part of the work may lead to the discarding of this machine. How are you going to treat such a condition? And then, after much work and worry, a careful, satisfactory computation is reached. This result will avail but little unless the work is continued, and comparative results shown, not only as to other plants, but from week to week in one's own factory or workshop. Are we gaining ground? Can we maintain the required degree of excellence and yet reduce the ultimate cost? A failure to keep up the system makes all that has been done of but little value. An important duty devolves upon our profession when we are called upon to render aid along these lines.

We must use every endeavor first to prove conclusively that the figures being considered are the correct ones, and that in the compilation no item, however small, has been overlooked. Second, in concise and intelligent form must be presented the final results, showing at a glance the component parts making up the whole, so arranged that subsequent findings can be readily compared, and the lessened or increased expense speedily determined and of easy verification.

"Office Organization."

The office organization outline is along the plan of every efficient modern business enterprise.

The accountant in every detail of his work should be the leader. Many an office needs an outside word calling attention to and introducing practical labor saving methods in caring for the daily routine.

In many municipal, county, state, and federal offices, there is need of more perfect organization. And in this respect the accountant should first of all be able to direct attention to his

own office, his methods of caring for his own affairs, and then to use good judgment in bringing order into the offices of his clients.

"FORMS OF REPORT."

The results of an examination must now be brought to the attention of the client, and herein many an accountant finds a stumbling block.

A brief, intelligent recital of the period covered, the work performed, the conditions existing, the recommendations for relief and for improvement, accompanied with only absolutely necessary statements of accounts will in the main prove satisfactory to both accountant and client.

A report that contains a long technical elaboration of the subject matter, with complicated statements, very frequently calls for merited criticism.

Reports have been presented to clients by reputable accountants of your own acquaintance which have in turn been submitted to others with the distressed inquiry, "Now won't you please tell us what the fellow means?"

Gentlemen, you have failed in your mission when you leave your client in this dilemma. You must be brief, you must state facts, and so present them that the busy man of affairs can readily understand without an interpreter. Gentlemen, I thank you.

THE PRESIDENT: The subject is open now for further discussion from anyone, guests or members.

MR. HARRY LLOYD PRICE (President of the Society of Incorporated Accountants and Auditors, Manchester, England):

Sir, I do not rise so much to discuss this paper, in which there is a very minimum of contentious matter, as for two other reasons. The first, in reply to your kind invitation to guests of your association at this convention to take some part in the conversation which ensues upon the papers, and for the second, that I may bear my testimony, my sense of obligation, to Mr. Dickinson for this valuable contribution to our common professional literature. For, although in our professional allegiance, Mr. Dickinson is of Paul, and I am of Apollos, yet accountants of every designation, and accountants of none, unite in recognizing in Mr. Dickinson a gentleman standing at the very front of the accountancy profession, and who has throughout the years of his pro-

fessional practice steadily held up the banner of a well ordered, reputable and honorable professional life. It is therefore a matter for the sincerest regret that the exigencies of his business engagements have taken Mr. Dickinson across the sea, and that he is not here present to-day in order that I might express to him personally the sense of obligation to which I have given utterance. The paper is an exceedingly wide one, and there is little in the nature of criticism in which one can indulge. Indeed, it seems to me that my own attitude is that of saying, "yea" to Mr. Dickinson's "yes."

The paper will, however, be of the very greatest value, in my view, in the formation of public opinion which, as to the accountancy profession, tends to be somewhat chaotic. This paper will have the result, if none other, of conveying to and fixing in the public mind the nature, extent and importance of the multifarious duties which are inevitably entrusted to the professional accountant. And although I am determinedly opposed to any form of personal professional advertising, yet I think it is essential that we should have papers of this nature, which show to the public that we appreciate in the highest degree the deep importance which attaches to those great financial and commercial interests with which we are entrusted.

I am glad the paper deals as fully as it does with the nineteen hundred and seven act. I am only sorry that our limitations of time this afternoon prevent our following the writer of the paper in his considerations of that important measure.

One particular feature impresses us all, and that is that from the time of the passing of that act the auditor who as a fearless and honest man has ventured to do his duty, regardless of consequences, shall not for the future be able to be cashiered at the pleasure or the whim, of a body of directors, but that he shall, when any such step is in contemplation, not only have the amplest notice given him of the intention so to act, but also be permitted to be heard in his own defense. That is a provision of the most serious and valuable moment.

As to the warning of Mr. Dickinson to which Mr. Joplin referred, affecting compulsory auditing by the government, that is not a question which affects us across the water very materially. We know something, of course, of government audits

in the matter of our district councils and in our poor law, but so far as compulsory government auditing is concerned, it is not with us within the realm of practical politics. I gather, however, from Mr. Dickinson's remarks, that with you it is somewhat different, but if so I have no hestitation in thinking that a body such as yours, noted as it is for its thorough organization, for taking rapid and effective measures, will not hesitate as to your attitude, and will not fail, if need be, to put up a fight against the introduction of bureaucratic methods, and of the result I have not any doubt.

Mr. John B. Ball (President, the Institute Chartered Accountants in England and Wales, London):

Mr. Chairman, ladies and gentlemen, the paper of Mr. Dickinson covers so much ground, and it is such an admirable paper, that it is difficult to find anything in it at all to criticise. At least I find it so. I have, however, managed to drop down upon one particular item to which I will call your attention, but perhaps it is a matter rather of opinion than of actual principle. It is on page 204. Mr. Dickinson, in talking about discount and premium on stocks, says, "the treatment of discounts and premiums on stocks, however, requires somewhat different consideration. In the first place it is somewhat questionable whether stock can be issued at a discount; and in the case of both discounts and premiums, the more proper view would seem to be that the stock is sold for whatever it will fetch." Now come the words to which I rather take exception, "and that any discount or premium should be considered as a deduction from or addition to the par value of the stock on the face of the balance sheet." Now, in my opinion, that certainly is not the practice that we carry out in England and I do not think it is altogether a sound principle. Suppose stock is issued at a discount and eventually the company has to be wound up. It is not the reduced amount of stock that has to be taken into consideration. It is the nominal amount of the stock which will guide the distribution, and in the same way if it is issued at a premium, that is not really an addition to the amount due to the stockholders. The nominal amount of stock is again the value which has to be borne in mind. With that slight criticism, I will turn to other points of interest on page 189 with regard to the use of the term "auditor." I fully agree with

Mr. Dickinson that it is undesirable that the term "auditor" should be applied to a gentleman who holds the position of comptroller, chief accountant or head bookkeeper of corporations. I think it very desirable that the term should be kept to describe the professional accountant. Of course it is not an easy thing to deal with. It can only be done by educating public opinion, but I hope you will be able to do that so as to limit the use of the term "auditor" to the professional accountant. Then I think there is just one other point on page 210.

Mr. Dickinson refers to goodwill, and he also refers to some cases where losses were shown, where he speaks of "badwill." "Badwill" it seems to me is an awkward term. I have been puzzling my brains to find a better suggestion, but I have been unable to find it. I must leave it to you gentlemen to think it out and suggest something better. I am afraid I can not.

Mr. Alexander Moore, Jr., C.A., (Glasgow): Mr. Chairman, ladies and gentlemen: As Mr. Ball has said, Mr. Dickinson's instructive paper has left little to criticise, but it has suggested a historical point which can not be uninteresting with reference to the practice of accountancy. At the time of the formation of the oldest society of accountants, the Edinburgh Society, in the year 1854, their petition for the charter set forth the practice of accounting in those days, and it is somewhat striking, I think, to find at the present day the practice has so entirely changed. I will quote from the petition for the charter:

"That the profession of accountants, to which the petitioners belong, is of long standing and great respectability, and has of late years grown into very considerable importance: That the business of accountant, as practiced in Edinburgh, is varied and extensive, embracing all matters of account, and requiring for its proper execution, not merely thorough knowledge of those departments of business which fall within the province of the actuary, but an intimate acquaintance with the general principles of law, particularly of the law of Scotland; and more especially with those branches of it which have relation to the law of merchant, to insolvency and bankruptcy, and to all rights connected with property: That in the extrication of those numerous suits before the Court of Session, which involve directly and indirectly matters of accounting, an accountant is almost invariably employed by the

court to aid in eliciting the trust: That such investigations are manifestly quite unsuited to such a tribunal as a jury, yet can not be prosecuted by the court itself without professional assistance on which it may rely, and the accountant, to whom in any case of this description a remit is made by the court, performs in substance all the more material functions which the petitioners understand to be performed in England by the Masters in Chancery: That accountants are also largely employed in judicial remits, in cases which are peculiar to the practice of Scotland, as, for instance, in rankings and sales, in processes of count and reckoning, multiplepoinding, and others of a similar description: That they are also most commonly selected to be trustees on sequestrated estates, and under voluntary trusts, and in these capacities they have duties to perform, not only of the highest responsibility, and involving large pecuniary interests, but which require, in those who undertake them, great experience in business, very considerable knowledge of law, and other qualifications which can only be attained by a liberal education."

Most of these branches of accountancy are still performed to a greater or less extent in Scotland, but the backbone of the business now, I think, is more fully fixed in the practice of accounting shown in Mr. Dickinson's paper. The charter of the Glasgow society was applied for about three months after the Edinburgh one in July, 1854, and the wording was very much the same, practically dealing with the same points. I do not refer to it.

The only other point in Mr. Dickinson's paper which I would not attempt to criticise, but which has raised in my mind a suggestion which I do not know how far is applicable to the conduct of business in this country, and that is in regard to the question on page 209, " in carrying through a consolidation of a number of businesses into one corporation, the following plan has been found by experience to be the most satisfactory, and to give the fairest results to all parties:

" There should be a Valuation Committee selected from the different companies, whose duties should be to supervise the taking and pricing of inventories. The capital assets should be appraised by competent engineers or other experts. State-

ments of profits or losses of the different companies should be certified to by a public accountant, the same accountant being employed for all companies; and all the book debts and liabilities of his company should be guaranteed by each vendor. The whole work, including the immediate taking of the inventories and the making of the appraisals, should be under the entire direction and supervision of a public accountant agreed upon by all parties, who would also supervise the preparation of the liquidation accounts for each of the old companies, and thereupon certify the final amount to be paid to each, a proportion of the purchase price being retained from each vendor pending such final liquidation.

"The goodwill should be based upon a certain number of years' purchase, previously agreed upon, of the average profits for the period covered by the investigation, and the allowance of such an amount involves also that in cases where a loss is shown instead of a profit an equivalent deduction, frequently termed 'badwill,' should be made."

There is a plan which has been adopted in Scotland to some considerable extent, and which has been very successful. Several firms propose to amalgamate their business, and they enter into an agreement with the new company, the company to be formed, under which they undertake to sell their business at a price, and the new company undertakes to purchase these businesses at a price to be fixed by two arbiters named in the agreement, these arbiters being in most cases public accountants. By dealing with it in this method they place themselves entirely in the hands of men in whom they feel they have confidence. These arbiters have the right to take such professional advice as they find necessary, to advise them as to values of properties and plant, and other assets, and to call for such information as they may deem necessary to examine the books of various concerns. Having done so, they are in a position to value the different businesses on the proper footing, and each firm pays its share in the new company as may be arranged, and they have no opportunity of getting back of that. They have accepted that as their final tribunal. That system has worked very well in a great many cases, and has saved a great deal of feeling.

MR. JAMES CAMPBELL DEWAR, C.A., (Edinburgh):
MR. PRESIDENT AND GENTLEMEN:

A large part of Mr. Dickinson's paper is taken up with the Companies Act of 1907. Perhaps you may not be aware that the act only came into force in July, 1908, so that sufficient time has not elapsed to know how the new enactments will work out. The act provides that a statement of assets and liabilities of a company is to be filed with the registrar of joint stock companies. So far a summarized form has not been issued by the registrar, showing what information will be acceptable to him, No doubt, in the first instance, a copy of the balance sheet as certified by the auditors, will be sent to the registrar, and if he is dissatisfied with it, he will return it for further particulars. The register is open to the public, and can be consulted for information not given in the published statement of accounts sent to each shareholder. The act does not provide for a copy of the statement of assets and liabilities of the company, as filed with the registrar, being sent to each shareholder, or supplied to the public.

Now on page 191 with regard to the appointment of auditors of a company, Mr. Dickinson says the general effect of these provisions is that at each annual meeting of the company the shareholders are required to appoint one or more auditors, none of whom must be a director or officer of the company. The difficulty of independent audit has not been got over by the new enactment, because a firm of auditors of which one member is a director of the company in question can be employed as the company's auditors. Both the letter and the spirit of the act can in this way be evaded.

On page 196 in regard to the true and correct view of the company's affairs, Mr. Dickinson remarks, "this phrase involves not only the mere clerical accuracy of the figures, but their substantial business accuracy, independently of the books." I do not know how far it is the practice here to take out percentages to obtain an independent check of the results shown in the revenue and profit and loss accounts under examination. Errors of omission have often been found on comparing the credits on the one hand, and the various outgoings on the other, with the amount of business done. If these figures are worked out in the form of percentages, exceptional receipts and payments, are at once disclosed by the variation in the percentages when compared with those obtained from the previous accounts of the concern.

HASKINS & SELLS

MR. CLARE SMITH (President of the Bristol Society of Chartered Accountants):

MR. PRESIDENT AND GENTLEMEN:

I should like to say two or three words expressing my gratitude to Mr. A. L. Dickinson for writing this paper, which I won't attempt to criticise, not because there may not be some points open to friendly criticism, but because I have not yet had an opportunity of thoroughly reading the paper.

One thing impresses me very much, and that is the large proportions the accountancy profession is assuming in this country, and from all accounts it appears likely to progress quickly in the future. The various branches of practice in which you indulge at the present time are mentioned in Mr. Dickinson's paper, but there are many matters which accountants in America do not deal at all, although at home they form a considerable portion of our practice. I think I may say the tendency in official England at the present moment is to recognize our profession rather than to take business away from us and give it to officials. One department has within the last year or two publicly recognized our profession by giving certain appointments to members of our institute which were formally held by government clerks or other civil servants.

Mr. Dewar seemed to interpret the Companies Act, 1907, as allowing a firm of which one of the members is a director of a company to act as auditors for that company. I take leave to doubt the legality of this, particularly if the audit fees are shared among the members of the firm, and whether or not it may be legal, I venture to suggest that it is a practice exceedingly unwise, and I should like to see it abolished altogether so far as public companies are concerned.

I think the tendency is to endeavor to make the auditor as independent as possible, and all I can say is that if the Scotch custom alluded to by Mr. Dewar is strictly legal, it is against the spirit of the act.

MR. WILLIAM PLENDER (London): In the submission to this conference of his interesting paper on Accountancy Practice and Procedure, Mr. Dickinson has multiplied the obligations which the profession in America owes to him for his valuable additions to their literature. The paper is purposely general in its scope;

but, none the less, does it show, with fidelity, the importance of the duties which fall to the public accountant to fulfil, of which there is a discernible appreciation on the part of the public in this country.

The movement towards centralization in the form of government audits in the United States is deprecated by Mr. Dickinson, and it may not be without interest to mention that one of the government departments in England has recently substituted professional accountants for government employees, to audit the accounts of undertakings operating under electric lighting orders. The functions of the auditor so appointed differ somewhat in their object from the duties of the auditor appointed by the shareholders. In the former case he has, among other things, to see:

(1) That the terms of the Order have been strictly observed.

(2) That before the profit for dividend distribution has been arrived at, due and proper allowance has been made for depreciation of assets employed in producing revenue, and that if any plant be discarded by reason of a bulk supply being obtained instead of the company generating power itself, the book value of such discarded plant is written off over the unexpired term of the order.

(3) That the company has not, without authority, supplied current in bulk or outside its prescribed area; nor associated itself with other undertakers except under statutory authority.

(4) That any subscriptions for objects connected with local or parliamentary elections are properly authorized.

(5) That the capital expenditure is not unduly weighted with a proportion of administration and general charges which the management may contend is beyond the normal expenditure that need only have been incurred if extensions of mains and plant were not taking place.

These are not unimportant considerations where a local authority has an option to purchase the undertaking, and the purchase price is mainly based on a given number of years' purchase of the dividends distributed.

It is further no uncommon occurrence for public accountants in England to be selected by the British Government and by other governments to advise on matters of National importance, and as

an illustration of this fact I may mention that I was retained by the government this year to investigate, report upon, and give evidence before a joint committee of the Lords and Commons on the accounts of the London dock companies, with a view to their acquisition by a new authority created by statute.

Mr. Dickinson refers to a practice which is usual in America, but unknown to us, of directors appointing the auditors to a corporation or limited liability company—even after the first annual meeting of stockholders—and from this fact he draws the conclusion that the legal responsibility of the auditors is to the directors and not to the stockholders.

I do not know if there be any decided case in America which justifies that deduction; but I venture to think that if a corporation or company pays the auditors, and if they certify a balance sheet circulated among the stockholders without reference to any limitation of duties imposed on them by the directors, the auditors would be liable to the stockholders for any loss arising from proved negligence in the discharge of their duties.

I am not sure that I fully appreciate the distinction sought to be drawn by Mr. Dickinson in the employment of the phrases "accepting," and "subject to." They are sometimes used without reason. The adoption of the former is unnecessary if the auditor sees no reason to believe that the item to which it refers is inaccurate; but to remove any doubt as to the facts—and this is the material point—he should see, if the item be for example stock-in-trade, that the balance sheet states it to be "certified by the management to be valued at or under cost," or failing the adoption of that description, he should so refer to it in his certificate, or otherwise describe the basis of valuation. I do not think that the words "subject to" necessarily mean that the auditors are "not satisfied with the conditions disclosed." Their meaning often is that he has no means himself of verifying the value of an asset, such as (*a*) investments which have no published value or are not dividend producing, or (*b*) property foreclosed through non-payment of interest on a mortgage secured thereon. If the auditors clearly state in their certificate that the directors have made, and are responsible for, the valuation which he can not and has no means to verify, there seems to be no

necessity to employ the words "subject to," though they are often so used. He has stated the facts, that is the material issue.

Mr. Dickinson's reference to the form of certificate required to be given by auditors under the Companies Act of 1907 is interesting—particularly that part which reads "as shown by the books of the company." There is not, as far as I know, any statutory obligation in America for an auditors' certificate to follow any form; but it might be well if this direction in the English Companies Act were generally adopted by public accountants here, as it would remove an abuse which I have known to exist in America of certified accounts, not being in accordance with the books by reason of adjustments made by the auditors not having been passed through the books.

Mr. Dickinson further says that if the public accountant is not honestly satisfied "as to the prospects of obtaining the expected results held forth in the prospectus he should decline to be identified with it or to certify to any figures contained therein." The public accountant must obviously see that as far as his knowledge extends, the prospectus is *bona fide* and honest; but for him to be regarded by the public as an insurer or guarantor that the prospectus forecasts will be realized is placing upon him a responsibility which every prudent public accountant would reject. He certifies only to the facts as they exist at the time covered by his examination; but conditions of business may afterwards arise that were unforseen, management may change, and a variety of causes contribute to a diminution of profits which the directors may be mainly responsible for. The public accountant need not add to his responsibilities—already great—by assuming the role of a prophet.

In referring to the phrase "true and correct view of the state of the company's affairs," Mr. Dickinson very properly points out that the public accountant "is after all human and can not discover facts of which no trace is to be found in the books or records of which he has no knowledge;" but later on he qualifies this dictum by saying that if a public accountant has done his whole duty "it is hardly possible for any substantial or material error of omission or commission to be afterwards found in the balance sheet." This is too sweeping an assertion to be passed unnoticed, as it is quite conceivable that the most skilled, dilligent and painstaking auditor may fail to discover fraud where con-

spiracy in suppressing records and facts has been resorted to. Lord Justice Lindley in re London and General Bank said, "an auditor is not bound to exercise more than reasonable care and skill in making enquiries and investigations. He is not an insurer. He must be honest, i. e. he must not certify what he does not believe to be true, and he must take reasonable care and skill before he believes that which he certifies is true. What is reasonable care in any particular case depends upon the circumstances of that case. Where there is nothing to excite suspicion, very little inquiry will be reasonably sufficient, and in practice I believe business men select a few cases at haphazard to see that they are right and assume that others like them are correct also. Where suspicion is aroused, more care is obviously necessary; but still an auditor is not bound to exercise more than reasonable care and skill even in a case of suspicion." Lord Justice Lopes in re Kingston Cotton Millls Company said, "I should be sorry to see the liability of auditors extended any further than in re London and General Bank. Auditors must not be made liable for not tracking out ingenious and carefully laid schemes of fraud. Frauds are perpetrated by tried servants of the company, and are undetected for years by the directors. So to hold would make the position of an auditor intolerable." The legal responsibility of auditors is thus defined, and it may well rest here.

The word "stock" in America is presumably synonymous with "shares" in Great Britain, and in referring to discounts paid or premiums received on issues thereof, Mr. Dickinson says, "that any discount or premium should be considered as a deduction from or an addition to the par value of the stock on the face of the balance sheet." In a succeeding paragraph this view seems to be modified, as he refers to premiums as "receipts on capital account, but no serious objection can be raised to crediting them to profit and loss surplus." The former proposition seems to me to be illogical. A balance sheet should show as a liability to the stockholders the par amount of issued share capital, for on that amount dividends alone are payable. Premiums or discounts lie apart from such liability, and should be separately stated. This principle seems too obvious for elucidation.

I question too the soundness of the view that premiums may with propriety be credited to profit and loss surplus. This implies that they may be distributed as dividend. Articles of association

are to be found which confine the dividend to profits earned in the ordinary course of carrying on business, and in such a case, premiums are not available for dividend; but where no such prohibition obtains, I favor the view that premiums received by a company on an issue of its stock above par should be placed to capital reserve and not be used for profit and loss purposes.

In referring to an amalgamation of business, Mr. Dickinson speaks of "badwill" in the case of an undertaking sought to be merged with others where a loss is shown instead of a profit. It may be observed that many businesses in the stress of competition, and in order to build up a valuable connection may be compelled to carry on business for a time at a loss; but it by no means follows that the connection so secured may not be worth an appreciable sum which, in the absence of a better word, may be called "goodwill." That asset, shadowy as it is sometimes, need not be confined to a profit earning company. I have known cases where in creating a proprietary trade, large losses have been sustained; but a purchaser has not lost sight of the advantages to be gained by including that business with others, which it has attacked, in a general amalgamation, and has been prepared to pay for its acquisition and inclusion.

The appendix to Mr. Dickinson's paper embodies certain sections of the Companies' Act, 1879, and among them is the section which contains the form of report an auditor formerly had to give on the balance sheet of every banking company. That section has been repealed by the 1907 act.

I may be permitted, in conclusion, to say how much I appreciate Mr. Dickinson's useful and valuable paper, and how much we in England esteem his contributions to our general knowledge of professional subjects.

The Accounting of Industrial Enterprises.

By William M. Lybrand, C.P.A.

While it may be true that many of the industrial enterprises now in existence remain as partnerships or as independent corporations, a very large number of undertakings of that character have been consolidated into that form of organization represented by the holding companies. It is with accounts of the latter class of industrial enterprises, therefore, that this paper will deal principally, because accounting principles, if sound, do not change with their application to any particular form of accounts, while accounting methods, if good, when modified to conform to the requirements of the different kinds of business operations, are applicable to small as well as to large undertakings.

Pools.

In the revival of industry which succeeded the industrial depression of 1873, the corporate form of organization began to be used more and more. The holding company had not then made its appearance and the great combinations of the present day did not then exist. In the meantime, the corporations, not having consolidated, and therefore being competitors, were led to adopt various devices designed to eliminate the evils of competition from which they suffered. The formation of pools was one of the commonest and most popular methods employed. The pools were associations of manufacturers who agreed to place the marketing of their product under some central association, hoping thereby to secure the benefits of stable prices and a regulated output. The inherent weakness of the pools was that their provisions were not enforceable at common law, and good faith on the part of the members could be compelled only by the forfeiture of deposits, the imposition of fines and expedients of a similar character. Mutual distrust was apt to exist, withdrawal of members was possible, and in times of de-

pression, when business at profitable prices was hard to obtain, and when the pool was most needed, it was usually most difficult to control the members or to keep them together.

Trusts.

The failure of the pools to accomplish the object for which they were organized, led to the creation of a form of organization which was intended to have a legal foundation and a permanent existence, namely, the Trust. Under the trust form, the capital stocks of the constituent companies were assigned to a board of trustees, who issued trust certificates in lieu of the shares so assigned. The trustees, having been vested with the control of the corporations through the assignment of their capital stocks, became responsible for the management of the several companies and were thus in a position to adopt a settled policy in all matters pertaining to the limitation of output and the upholding of prices. The trust, as an expedient for lessening or obviating the evil of competition, and for securing the benefits of consolidation, was by reason of its authority, stability and permanent organization a decided advance over the temporary and ineffective pool. Its legal position was, however, found to be open to attack, and adverse judicial decisions in cases brought to test whether or not it was a combination in restraint of trade finally drove the trust out of existence as a legal means of effecting combinations.

Holding Companies.

About the time that the test cases to prove whether or not the trust was to be allowed to exist were in progress, a new legal expedient for accomplishing combination was provided through the enactment by the State of New Jersey of a revised General Corporation Act, under which the right was granted to one corporation to purchase and hold stocks of another, a right which prior to that time seems to have been held by the corporations only by virtue of their being organized under special laws. It has been said that, " for momentous consequences, this statute of New Jersey is hardly equaled in the annals of legislation; cor-

porate organization could henceforth be promoted, not to serve the ends of industrial management, but solely in order that financial combinations might indirectly control operating companies through ownership of their capital stock." Thus the holding company originated, and under this law one consolidation followed another, until at the present time there exist the gigantic industrial combinations which virtually control the several lines of industry in which they are engaged.

Advantages of Combination.

The principal factor leading to the formation of the industrial combinations was doubtless the desire to eliminate ruinous competition by obtaining so large a control over any one class of merchandise that it was possible virtually to regulate the price at which it could be sold. Contrary to the accepted idea, the control of prices does not necessarily mean their exorbitant advancement, but under enlightened management, exemplified, we believe, in one of our largest combinations, it enforces a policy of stability in prices, under which business in times of depression suffers vastly less than if indiscriminate price cutting were in effect. However, other causes than the control of prices were instrumental in hastening the formation of combinations. In a territory as extensive as the United States, the transportation of raw materials to the seat of manufacture, and the finished product thence to the place of its disposal, constitutes a large element of cost. Under a combination, the orders may be so distributed that the mills most advantageously situated as respects transportation facilities can be worked to their full capacity, while others less favorably located may, except in times of unusual activity, be closed temporarily. Orders for certain classes of merchandise may be concentrated in one plant so that it may run continuously with few changes of appliances, and thus turn out the largest output at a minimum of cost. Sources of raw materials may be controlled through the large financial resources of the combination, or by the amalgamation with it of the companies controlling such raw materials. Labor may be dealt with in larger groups and more advantageously; expenses of distribution of goods may be curtailed by dispensing with

salesmen who traverse each other's territory; duplicate offices may be eliminated; stocks of merchandise may be reduced; management and office expenses may be decreased by concentration—these are some of the other advantages which it was believed would accrue to the properly constituted combinations, and which have in many instances, doubtless, been realized to a considerable extent.

Evils of Monopoly.

Without devoting undue space to a discussion of the ethical features of trusts or combinations, it may not be inappropriate to consider for a moment the evils which in the public mind seem to be indissolubly associated with them. First of all is the dread of monopoly. To what extent this fear is justifiable it is difficult to determine. Even where a combination has a virtual monopoly, there is a practical limit beyond which it can not advance its prices. If this limit is exceeded, demand for the article ceases, substitutes therefor are devised, or the pressure of public opinion becomes so great that the most strongly intrenched monopoly must be affected by it. On the other hand a monopoly is probably effective in influencing prices in that they can be maintained at substantially the same level, in the face of reduced costs of production due to the introduction of improved manufacturing processes, thus depriving the consumer of the benefit of at least a part of the widening margin between cost and selling price which would probably accrue to him under the regime of competition. It will be argued by others, however, that the greater profit results entirely from the economies of combination, and that therefore the additional margin equitably belongs to the producer, as the consumer, under competition, would have been no better off than is now the case.

At a meeting for the discussion of economic questions, a prominent socialist recently described the material advantages which, he argued, would accrue to the workingmen, if the productive agencies of the industrial world were placed under their control and operated for their benefit. A well-known political economist in reply expressed his belief that if these agencies were so controlled and operated, the net results under the relatively unskillful management that would then ensue would

be so much less than under the present conditions, that each workingman would receive no more than he does at the present time. The same thought may be true as to prices; if under competition there is economic waste, and in combination there is economy, would not the increase in costs under the former necessitate prices equal to those under a monopolistic regime? These questions of costs, prices, and monopoly are, of course, too far-reaching to be properly discussed within the limits of a paragraph, but they are now the source of so much public debate, with the possibility of an attempted public control, that they demand our thoughtful consideration.

The temptations of fraudulent promotion and speculative management are other evils ascribed to the combinations. It is claimed that earnings which were used as a basis of capitalization have been overstated, either intentionally or ignorantly, by the failure to include among the expenses of operating the full cost of maintaining the property, or a proper provision for renewal of the plant through whose operation the earnings were produced, but which must obviously deteriorate in value because of that use, or become obsolete through the introduction of improved appliances. The more serious charge has been made and proved to the satisfaction of many, that constituent companies acquired at one price by the members of a syndicate have been sold directly or indirectly to themselves as directors of the holding company at greatly enhanced amounts. Speculative management, with one eye on the ticker, and the other on the profit and loss statement, has been alleged, with the attendant evils of a property "skinned" to show large earnings, or the payment of dividends unearned, or at least unwarranted from the standpoint of financial expediency.

It is alleged that the holding company adds to the complexity of corporate organization, admits of the accumulation of debts in the affiliated companies, the piling up of deficits in some companies without provision therefor in the accounts of the parent company, and by other devices tends to obscure the real profits or losses, thus leaving the stockholder utterly in the dark as to the actual value of his holdings.

Numerous remedies have been proposed to prevent some of the foregoing evils. The trend of public opinion at present seems

to be toward federal regulation and compulsory publicity. It would appear that a reasonable degree of federal supervision, or at least the issuance of a federal license to do business, would be welcomed by the larger corporations in preference to regulation by the individual states, each one imposing different conditions. Publicity, within reasonable limits, is rapidly being voluntarily adopted, and it seems reasonably certain that corporations conducted as "blind pools" will ultimately be relegated to the past.

Accounts of a Corporation.

It was stated at the beginning of this paper that accounting principles, if sound, are applicable to any particular form of accounts; therefore, with a subject as comprehensive as the one now under consideration, it does not seem feasible to do more than discuss those accounting principles which should control in the inauguration, administration and presentation of the accounts of industrial enterprises, without attempting to deal with details or to describe the particular form which the accounts should assume.

The accounts of a corporation may be called the history of its financial transactions, or, as the writer's perceptor was accustomed to remind him constantly, they should be " records of the facts." A fact would seem to be capable of but one interpretation, and we should therefore, if not otherwise informed, be led to expect that a statement prepared from the books would be an exact reflection of the facts of its financial transactions. But in practice no such simple or ideal condition will be found to exist. The modern business organization is so complex, and its transactions so numerous and so varied, that the facts are sometimes difficult to ascertain, and frequently are of such a character that they fall under the category of opinions rather than certainties. Further, the operations of a business are intended to be continuous, and at no time is it contemplated that there will be a final cleaning up in which every asset will be realized on and every liability disposed of; therefore, while the fact as to the current transaction may be known, the amount to be ultimately realized may be uncertain, and the best that can be done with the accounts

is to organize them intelligently and administer them on sound accounting principles, so that when a statement is prepared it will reflect an honest opinion as to the company's financial position and the results of its operations.

Balance Sheet of Holding Company.

The principal accounts of a corporation, or, at least, those which are perhaps of the greatest interest to the management, are the balance sheet and the income and profit and loss statement.

The balance sheet of a holding company is not necessarily a particularly complicated statement. If the holding or parent corporation is a finance company simply, as distinguished from an operating company, its chief assets will usually consist of the securities of the subsidiary companies of which it is the owner. Quite frequently the entire capital stocks of these subsidiary companies will have been acquired by the parent company, and the latter may also be in possession of some of the bonds which lie against the property of the subsidiary companies.

Frequently, other large items of assets are advances made to the subsidiary companies for which the latter may have issued their notes in favor of the parent company. Such advances are usually made to provide for extensions or additions to the plants of the subsidiary companies after they have been acquired by the holding company, or they may have been made for the purpose of furnishing additional funds to purchase larger stocks of materials, to carry contracts requiring considerable time to complete, or for any other legitimate business purpose. If the moneys advanced have been for the purpose of adding to the plants of the subsidiary companies, it may be that these loans will subsequently be funded by the subsidiary companies through the medium of mortgage bonds, which if sold to the public will enable the subsidiary companies to discharge their debts to the parent company. Or possibly, if the whole of the authorized stock of the subsidiary company is not outstanding, a further amount may be issued and delivered to the parent company in settlement of the advances, thus changing the form of the asset on the holding company's books from an account receivable to a security

ownership. It is improbable that such a course would be pursued except in very special instances, as the holding company would doubtless prefer to appear as a creditor of the subsidiary company, rather than as an owner of more shares of its capital stock, because, if the subsidiary company were unprofitable and it became necessary to wind it up, the holding company would claim, with the other creditors, its proportion of the realizations from the subsidiary company's assets. Such a position, we believe, would be assumed by the holding company in the absence of direct ruling to the contrary, but serious doubt has been cast recently on the ability of a holding company to sustain such a contention, where it is the owner of the entire capital stock issue of the underlying company.

Advances made by a parent company to its subsidiary companies are not always represented in the latter by tangible property. Such advances may have been made to recoup the subsidiary company for losses sustained by it in operating. The advances appearing on the books of the parent company would, under such conditions, be nominal assets only, and as such, in a balance sheet of the holding company they should be offset by a reserve sufficient to provide for the whole or such part of them as may be represented by losses.

It is probable that among the assets of the holding company there will be included capital stocks of companies, a minority interest in which may be all that is owned by the holding company, or at most it may be a majority holding and not a complete ownership. Unless there has been a marked depreciation in the value of such holdings, they would be included in the balance sheet at their respective costs, but if it is apparent that they have suffered a radical and permanent decline, they should be written down to an amount which will represent their actual worth.

The liabilities usually call for no particular comment, as, if they are clearly stated, they will be self-explanatory. The capital stocks and bonds issued by the company will generally appear as major items, followed by loans payable and accounts payable due by the company. It is possible that some of the subsidiary companies may, through funding operations have acquired a temporary surplus of cash, which they have deposited with the parent

company, and which consequently will appear as liabilities of the latter. The other liabilities will include the reserve and sinking fund accounts and miscellaneous items.

Consolidated Balance Sheet.

The foregoing remarks are intended to apply to the balance sheet of the holding company *per se.* It is now very generally recognized, however, that the submission of the balance sheet of the holding company only, does not furnish the owners of the company with the information as to its real financial position to which they may justly consider themselves entitled.

The holding company was, as heretofore stated, organized for the purpose of acquiring the capital stocks of affiliated companies, and thus effecting a combination which would bear the test of adverse legal scrutiny. While each company under this scheme retains its corporate identity, and is in the eyes of the law a separate corporation, yet there is a virtual consolidation of ownership, the results of which can be properly expressed in a statement of their accounts only by consolidating the balance sheets of all the companies into one balance sheet, eliminating therefrom the inter-company stocks, bonds and accounts, which indicate the relation of one company to another, and not to the public.

A consolidated balance sheet therefore is intended to reflect the financial position of the whole group of affiliated companies, considered as one undertaking. In a typical balance sheet of this character, the following grouping and arrangement of the assets and liabilities has been adopted.

Assets:

Property Account.

Deferred Charges to Operation.

Investments.

Sinking and Reserve Fund Assets.

Current Assets.

Liabilities:

Capital Stock of Holding Corporation.

Capital Stocks of Subsidiary Companies not owned by Holding Corporation.

Bonded Indebtedness.

Current Liabilities.

Sinking and Reserve Funds.

Surplus.

PART II.

When a holding company purchases the capital stock of another company, the price paid for this capital stock presumably represents the holding company's estimate of the value of the equity in the subsidiary company's assets. This price may be greater than the combined capital stock and surplus account of the subsidiary company, in which event the difference must be assumed to denote the value of the subsidiary company's goodwill, or other assets, not appearing on its balance sheet, otherwise, if they were included there, the cost of the capital stock to the holding company would be exactly equal to the combined capital and surplus of the subsidiary company. On the other hand, if the price paid by the holding company, for the capital stock of the subsidiary company, is less than the combined capital and surplus, the difference must be assumed to express the amount at which the assets of the subsidiary company are overvalued on its books.

In consolidating the "Property" accounts of the subsidiary companies (their property accounts including goodwill, trademarks, franchises, etc., as well as tangible property), the total must, therefore, be increased or reduced by as much as the cost of the capital stocks of the respective subsidiary companies, as at the date of their purchase by the holding company exceeds or falls belows their combined capital and surplus account.

It might seem at first thought that the surplus accounts of the subsidiary companies should not be applied as stated in the foregoing paragraph, but that they together with the surplus accrued subsequent to the purchase by the holding company, should be combined, and their aggregate entered on the consolidated balance sheet as the surplus of the whole undertaking. The fallacy of this statement has been proven in various ways. Perhaps the most simple and direct argument is somewhat along the following lines; the surplus of a corporation, generally speaking, represents the balance of earnings which have accumulated from its operations, and which have not been paid out to the stockholders, applied in immediate reduction of valuation of assets or reserved for the ultimate replacement thereof. As a surplus can accrue only during the operating of a company, it is fairly obvious that the holding corporation prior to its organi-

zation can not have earned such a fund, and that therefore it would be entitled to merge into its consolidated surplus account only the balances of profits accumulated by the subsidiary companies during the period of their ownership by the holding corporation.

Further, as the amount paid by the holding company for the capital stock of a subsidiary company represents the holding company's estimate of the equity in the subsidiary company, and as that equity is presumed to be represented by its capital stock and surplus account, it follows that in the process of consolidating, the capital stocks of the subsidiary company in the holding company's books will be eliminated, as will be the capital stock and surplus account on the subsidiary company's books. The surplus account being thus absorbed, can not of course, appear again as a surplus in the consolidated balance sheet.

Inventories.

The consolidation of the other items of assets, which would be included under the groups noted on a previous page, will probably call for no particular comment, except in the case of the inventories. Some of the industrial enterprises of the present day begin their ownership with the raw materials, and manufacture their output all the way from the first stage to the last. Necessarily this manufacturing can not, in every instance be performed in one continuous operation or by one plant, and there will be constant transfers from one company to another of product finished up to a certain point, but subject to further manipulation in order that it may be disposed of in a different form. At the end of the fiscal year or other balance-sheet period, there will doubtless be a quantity of such merchandise in the inventories of the several subsidiary companies, purchased by one company from another at a price greater than the actual cost of manufacturing. As the companies are entirely distinct from each other, it may be argued that the purchasing company will be justified in including such merchandise in its inventory, at the price paid to the company from which it was acquired. The purchase, however, having been made by one subsidiary company from another, is in effect merely a transfer from department to

department of virtually the same corporation, and not a sale on which the profit can be said to have been realized. The principle that profits must not be anticipated would seem therefore to be applicable in such instances, and it would follow that a reserve should be provided equal to the amount by which such merchandise at inter-company prices exceeds its actual manufacturing cost.

Too hard and fast a rule should not be drawn, however, even when conditions are such as have been outlined above. In the case of an iron and steel combination, for instance, controlling the manufacture of its product from the ore in the ground to the sale of the finished merchandise, it will be appreciated that there are a number of points in the process of manufacture, where the merchandise reaches a finished and marketable stage. While at each stage in the manufacturing process some of the merchandise is sold to outsiders, much of it is transferred to other mills for further manipulation at a price which includes some profit to the subsidiary company by which it was handled. Is it entirely unreasonable to claim that where the manufacturing processes are distinct and complete, some manufacturing profit shall be taken in the current income account on merchandise finished by one company, but remaining in the inventory of another company while awaiting further transformation In the balance sheet of a large industrial enterprise, such profits are applied as a separate part of the surplus account, distinct from the ordinary accumulation of surplus, with a note appended setting forth clearly the nature of the item.

Capital Surplus.

In the organization of many corporations, it has been the practice to issue bonds or stock equal to the amount at which the property purchased is offered by the vendors, and accepted by the directors, subject to the cash requirement of the State in which the corporation may have been chartered. In addition, a sum of money is sometimes provided by the vendors for working capital, or a certain number of shares of stock may be turned back into the company's treasury, to be sold and the proceeds used for the same purpose. It has been held by the legal profession, that inasmuch as the property purchased, for which the

company's securities were issued, has been declared to be of a reasonable value and necessary for the purposes of the corporation, any contribution which may be made by the vendors is in the nature of a donation, and as such is surplus or profit to the company. While technically, this may be true, yet practically it can not be a profit, first, because a corporation can not earn a profit before it has begun operating, and second, such a return of cash or securities on the part of the vendors is really in the nature of an abatement of the purchase price, and as such would be deductible from the cost of the property acquired. It has been held, that if the item is noted as capital surplus or designated by some synonymous expression which will clearly distinguish it from the surplus accumulated out of the earnings during the operation of the company, this will be sufficient, but it would seem to be more logical to apply it as a reserve or as a deduction from the cost of the properties purchased.

Subsidiary Company Balance Sheet.

In preparing the consolidated balance sheet from the holding company's and subsidiary companies' balance sheets, it is, of course, essential that the latter shall have been correctly stated.

The first item or group of assets in the subsidiary company's balance sheet that claims attention will be the account or accounts representing the fixed assets owned by the corporation, which may appear under the inclusive title of "Property" or which may be entered under the several captions of land, buildings, machinery, goodwill, franchises, etc.

As long as the present method of capitalizing on the basis of earnings is in vogue, and the property acquired by the new corporation is valued at a lump sum, it is improbable that a separation thereof will be made into accounts which will show the value of its land, buildings, and other tangible assets, apart from the so called "water." So much loose talk has been indulged in respecting the evils of over capitalization, as to lead to the idea in the mind of the public that the whole difference between the value of the tangible property and total of the property account is "water" only, which ought to be squeezed out.

That there is water in many of the stock issues, no one will deny. Capitalization has been determined in many instances, not on earnings reasonably certain of realization, but on prospective earnings of years to come, or on economies of combination and profits of monopoly that could not possibly be realized. But when the capitalization of a concern is based on an average of earnings, and fixed at such an aggregate sum that reasonable dividends may be paid, proper reserves provided, and a sufficient surplus accumulated, then it can hardly be said that it is over capitalized, even though the value of the tangible assets may not measure up to its capitalization. The difference between the two simply measures the then value of the goodwill, patents, trade marks, franchises, or other intangible assets of the company, but such assets in a case of that kind can not be considered as "water." As long as the business continues under conditions not less favorable than at its beginning, the intangible assets will retain their value. If the business fails, their value will probably disappear, as will also disappear the major part of the value of the so-called tangible assets. The worth of each depends on the continuance of the business, but as it is contemplated that a business will continue there is a real equity existing in such a case which can not be ignored or of which the owners can not justly be deprived.

There is, however, a strong tendency at the present time to attempt, with respect to the railroads at least, an appraisement of their physical property to ascertain how it compares with their capital obligations. How far reaching this movement may prove to be can not be foreseen, but it may not be unsafe to predict that ultimately the capitalization of corporations taking over a going business will represent the actual tangible property plus what the results of past operation will show to be a reasonable amount for goodwill, franchises, etc. When that time is reached it will likewise doubtless be required that the balance sheet shall set forth separately each class of property, and the valuation at which it was acquired.

Charges to Fixed Asset Accounts.

Consideration of the accounts of land, buildings, and machinery, arises numerous questions, respecting depreciation, ob-

solescence, additions, improvements, etc., all of which have a direct bearing on the balance sheet in that the proper valuation of the said assets therein depends on the correct solution of these questions. It is necessarily difficult to disassociate them from the income account as well, because that account will likewise be affected according to the way these questions are decided.

With respect to items which may properly be considered as capital expenditures, it has been suggested as a working basis that no additions should be made to the property accounts unless it can be clearly shown that they have increased the earning capacity of the plant. A simple, positive rule such as this might be all that is required, if the changes in the plant and the resulting increase in earning capacity were occasioned only by actual extensions or additions of property which had never before existed. But such is not the case. In every progressive manufacturing concern, alterations or additions to the plant are constantly being made for the purpose of simplifying the manufacturing processes and thereby increasing the output with the same expenditure for labor and materials, or in order to decrease those operating charges which are in the nature of overhead expenses required to be taken up in the cost of the product. As no alteration or addition to a plant is probably ever undertaken except for the purpose of increasing the earning capacity thereof, directly or indirectly, the literal application of the rule referred to is not possible, and it will be necessary to consider the nature of the various alterations, improvements, and additions, before an intelligent decision can be made as to their ultimate disposition.

At the outset, it may be conceded that actual extensions or additions of plant which did not exist before, will be properly chargeable to capital account, assuming that such additions do not render useless existing but less efficient plant producing a similar kind of product.

The large class of expenditures consisting not of certain definite additions, but rather of alterations and improvements, is more difficult to deal with. In the case of improved appliances displacing less efficient ones, it has been held that the latter should be written off and the former added to the property account. Technically, this would seem to be correct, and if there is a direct saving in operation, or a relative increase in output, this course

would seem to be justifiable. But if the new appliances are required in order to cope with a competitor having like facilities, or to meet the demand of the trade for improved articles at the same price, it would be more conservative to consider such additions as having the nature of extraordinary renewals, whose cost would be charged off within a reasonable period through the depreciation or renewal reserve appropriations.

Improvements to the plant which indirectly tend to simplify manufacturing processes or to lessen fixed operating expenses would also technically be chargeable to capital account, but a conservative application would call for their absorption in the current profit and loss account.

In so far as the records of the foregoing expenditures are concerned, it is clear that the cost of each should be clearly set forth in the accounts, distinct from ordinary renewals and repairs. If one is furnished with a brief explanation of the improvement, the saving sought to be accomplished by its use, the cost of the improvement and the cost of the property displaced, it is possible to decide intelligently whether the item should remain as a permanent capital addition, be absorbed through a renewal reserve fund or be charged off immediately in the current year's operations.

A discussion as to whether or not specific amounts should be written off goodwill, franchises, patents, trademarks, etc., would, under present conditions, probably be little more than academic. Nevertheless, the policy in force in the most conservatively managed of the large corporations of absorbing a part of their earnings in adding to the physical property, is in effect a writing off of such intangible assets. If continued for a sufficient number of years, the additions to the property charged against the surplus account, would ultimately take the place in the property account of the goodwill, franchises, etc., so that the property account would consist of tangible physical assets only. Assuming that the accounts have been kept in such a manner as to show clearly the cost of the additions so written off this practice is to be commended. The stockholders thereby become accustomed to these charges against the profits, and are less likely to demand larger dividend distributions, while the application of the earnings to the improvement of the property tends to maintain the

earning power, admits of continuity and stability in dividend disbursements, and prevents to a considerable extent violent fluctuations in the market values of a corporation's securities.

Deferred Charges to Operations.

In the development of a corporation's property and in connection with its current operations, there are frequently certain expenditures made of such a character that they are not justly chargeable immediately to the operating costs, nor on the other hand, should they be included with the permanent property or the current assets. Instances of important items of this class are advance payments of royalties and costs of exploration and testing preliminary to the development of properties containing raw materials. Other examples of relatively less important items are unexpired insurance premiums, rentals paid in advance, prepaid discounts, etc. Advance payments of this character are usually found grouped under the caption of "Deferred Charges to Operations," the purpose being to carry them temporarily as assets, and then charge them off to the operations of the periods during which the benefit of the expenditures is reaped.

In addition to expenditures which are without doubt chargeable against future operations, there are certain others which are not so clearly defined, but which may with some degree of reason, be included therein. Business operations of certain kinds run in seasons—that is, during spring and early summer the whole effort of the sales department and to some extent the administrative forces, may be engaged in booking orders for delivery during the winter. Before the winter delivery begins the end of the fiscal period arrives, with the result that there will appear among the expenses of the fiscal period, a large amount incurred directly in connection with the next season's output. It would seem, under such conditions, not unreasonable to carry over such expenses as deferred charges, and write them off during the succeeding year. It may be argued that the expenses of one season will offset another, and that it is easier to absorb such items in the operation of the fiscal period during which they happen to have been incurred. This is unquestionably the more conservative method, but in the event of the trans-

fer of the business at any fiscal period, there is an equity existing not shown on the books, which must be taken into consideration.

Occasionally a corporation, perhaps engaged in the manufacture of some patented or trade-marked article, may inaugurate a campaign of advertising, in which it is proposed to concentrate in one year the advertising that would usually be spread over two or three years. Here again it may be claimed with some show of reason that a part of the advertising cost should be carried over to be charged off in the following years. If there is a reasonable prospect that the effect of the advertising will continue during the succeeding one or two years, probably no valid objection could be made to such an action, provided it is done in good faith.

Discounts on bonds have, in the past, usually been considered a proper charge to capital, and as such have been added to the cost of the property. The price at which a bond may be sold depends primarily on the rate of interest paid and on the security afforded. If the security is unusually good the rate may be low and the bond still sell at par; if the security is good but not unusually so, and the rate fairly low, the bond will sell at a discount; if the security is poor the bond will sell below par, even though the rate is high. The cost to the corporation of obtaining funds from the sale of its bonds therefore depends largely on the assurance which it can afford the investors that the interest payments will be maintained and the principal paid at maturity. Convinced of these two factors, the selling price of the bond becomes to a considerable extent a matter of interest rate. If the rate is high the bond should sell at a premium, in which event the company will receive a sum in excess of the amount it will eventually have to repay, and this excess sum or premium will in effect act in reduction of the high interest rate. If the rate is low and the bond sold at a discount, the company will be obliged to bear the expense of the interest, and ultimately also the difference between the realization from the bond and its par value—i. e., the discount. A discount on a bond is therefore an adjustment of the interest rate, and as such it should be spread over the term of the bond, the balance not charged off to

be carried in the meantime as an asset of the deferred charges class.

Liabilities.

In stating the consolidated liabilities, few questions of principle are likely to be encountered. Under capital stocks will be included the stock issues of the holding company, and, separately stated, such part of the stocks of the subsidiary companies as are not owned by the holding company. The balance of the capital stocks of the subsidiary companies, being virtually inter-company accounts, will be eliminated in the process of consolidating.

The bonded debt of the holding company, as well as that of the subsidiary companies, whether guaranteed or not by the holding company, will appear, excepting that bonds of the subsidiary companies owned by the holding company will be eliminated, as it is the purpose of the consolidated balance sheet to show the financial position of the affiliated group of companies with respect to the public and not to each other.

Sinking Fund.

A sinking fund for the redemption of bonds is in effect a surplus accumulation because the fund is not disbursed for current expenses, but is used merely to retire liabilities, thereby increasing the stockholders equity in the property. The usual sinking fund provision requires, however, that a stipulated amount shall be provided out of the profits each year, hence it is necessary that a transfer of the required amount be made from the profit and loss account to a sinking fund reserve. If the sinking fund theory is carried out, funds equal to the amount so transferred will either be paid over to the trustees, placed on deposit and earmarked as being for sinking fund uses, or invested temporarily until required for the redemption of the bonds. If the value of the property on which the bonds were based is maintained without impairment, the sinking fund accumulation will, when the bonds are redeemed, properly revert to the surplus account; but if the property is of a wasting character and has depreciated in value to substantially the same amount that the sinking fund account has accumulated, then the latter is really in the nature of a depreciation reserve and should be so applied.

The investments made out of sinking fund accretions and the unexpended balances of cash will appear among the assets under the classification of sinking and reserve fund assets. Bonds redeemed by the trustees of the sinking fund will be applied among the liabilities in reduction of the respective bond issues in which they originated, the effect being to show under the funded debt liability only the balance actually outstanding.

Reserve Accounts.

It is quite likely that among the liabilities will be found, in addition to the sinking fund accounts, numerous reserve accounts accumulated out of current profits or surplus, to provide for renewals or replacements of plant, losses by fire or accidents, shrinkages in receivables, and for any other contingency which may arise.

With respect to these reserves which are collected as a preparation against fire losses, accident claims, bad debts, etc., there are probably no accounting principles involved which merit particular attention. Experience will, no doubt, have demonstrated in each of these cases the amount which should be set aside from year to year to cover losses arising therefrom. It is true that unusual and unexpected losses may be incurred through fires or accidents, but if the reserves therefor are based on sound principles, the amounts set aside and the losses charged against them ought to be fairly equal during a series of years. Even if this should prove not to be the case, the losses from such sources admit of being definitely ascertained after they have been incurred, and the reserve accounts may then be adjusted accordingly. If the reserve is more than exhausted the balance should be written off and not carried forward with the hope that during the succeeding period the losses may be so small that the account will be recouped.

PART III.

Depreciation.

When the subject of reserve for depreciation and renewals is approached, discussion thereof is attempted by the writer with

some hesitation. Books and pamphlets are being published thereon, the best accounting thought of the country is being directed thereto, Federal and State accounting authorities are struggling with the problem, and the whole matter seems at present to be in a formative state. Happily, material progress has been made in that the *fact* of depreciation is now generally admitted, whereas it was formerly strenuously denied or at least ignored. Once there is brought home to the management a realization of the absolute necessity of providing reserves for the depreciation or obsolescence of their property, it leaves open only the questions of determining the methods and rates by means of which the reserves will be accumulated.

Depreciation may be defined as the impairment of the value of an asset by reason of wear and tear. Exception has frequently been taken to the recommendation that a charge be made against the profits to provide for depreciation, on the ground that the repairs and renewals charged to operating have been sufficient to maintain the effectiveness of the asset unimpaired. In the case of business long established, which is managed along conservative lines as respects charges to capital account, and which maintains its plant at a high level of efficiency, it is probable that the renewals charged to operating will aggregate an amount substantially equal to that which would be considered a fair charge for depreciation. So far then as the statement of profits or losses of a particular period is concerned, there would then be no material difference in the results, if the depreciation charge were substituted for the renewal costs, and the latter applied against the depreciation reserve fund previously created, assuming that the renewals were fairly well equalized from year to year. From the standpoint of the balance sheet, however, such a method is unsatisfactory, in that there will then have been made no provision for accrued depreciation, with the result that the assets will appear at cost, notwithstanding the fact that they must have deteriorated in value because of wear and tear.

Further, during the earlier years of an enterprise when the plant is new, the maintenance and renewal costs will naturally be much smaller than will be the case when the effects of its use are being felt, and if no charge is made against the profits for depreciation, there will be a virtual overstatement of profits and

possibly an excessive distribution of dividends, which will have to be made good in one way or another later on.

It may be argued that when the enterprise is in its infancy, its earning power will naturally be small, and therefore the charges made against it for future provisions should be correspondingly light; the theory being that the increase in profits will be sufficient to meet the cost of the renewals as they become necessary and still leave the net earnings unimpaired, while the enhancement in the value of the enterprise as a whole, due to the larger earnings, will offset any accrued depreciation that may exist. While this was doubtless true of some of the earlier enterprises, notably the street railways, its continued application is fraught with danger. Combinations of undertakings which have themselves been established for some time, are certainly not new enterprises in the sense that they are about to cultivate a virgin field, from which they anticipate the reaping of increasing profits. Assuming that additional profits are realized through the consolidation, they have usually been more than anticipated, and the charges against them have been fixed accordingly. It would therefore seem to be extremely unsafe for a combination of industries to fail to provide liberally for accrued depreciation, and in the meantime to pay out practically all its earnings in dividends, on the ground that the increase in profits from year to year will be sufficient to take care of the necessary renewals and replacements.

A more important factor than wear and tear in determining the effective life of an operating asset is that of obsolescence. Buildings or machinery are seldom abandoned because they are worn out. Usually long before that condition is reached, they have become antiquated or otherwise so unfitted to cope with current requirements that their effective life is at an end, notwithstanding their actual condition may still be good. In making provision for the renewal or replacement of an asset, obsolescence, as well as wear and tear, must therefore be taken into consideration.

If the life of a property were maintained merely by ordinary repairs, its value would decrease year by year until it arrived at the scrap stage, if in the meantime it had not become obsolete. Provision for renewal under such conditions would be based on

an estimate of effective life, which had regard only for the factors of diminishing value due to ordinary wear and tear, and possible obsolescence. But in practice, it will be found that a property does not lessen in value from year to year in regular gradations. When a part of the plant reaches a comparatively ineffective stage, it is quite likely that it may be substantially rebuilt and perhaps positively improved by the addition of new devices, so that it practically begins a new lease of life, and its effective existence is correspondingly lengthened. The question then arises as to whether the provision for renewal shall be sufficient to cover the cost of the property spread over the life term thus augmented, and the cost of rebuilding or renewal, or whether the reserve shall have regard only for the first cost of the item, leaving the rebuilding or renewal charges as they occur to be taken care of in current operating.

The former has been suggested as the correct method, since charges against operating will otherwise be less each year than should be the case except in those years when the rebuilding or renewal takes place, during which periods it would be excessive.

The practical objection met with will doubtless be that it will be very difficult to estimate with any degree of accuracy the probable cost of rebuilding and the length of the augmented life term; also, that having estimated these factors and established a reserve fund it will be equally perplexing to distinguish between repairs which should be charged direct to current operating and renewals which are chargeable against the reserve fund.

It is impossible to lay down any hard and fast rule which will apply to all cases. Industrial statistics respecting renewals and depreciation covering any considerable period are probably not yet available, and changes in manufacturing methods have been so frequent up to this time, that obsolescence would seem to have been the determining factor in limiting the life of a plant unit, rather than depreciation due to wear and tear.

As to the value and term on which to estimate the renewal reserve charge, would it not be reasonable, at least for the present, to endeavor to estimate the life of the machine or other part of the property, on the assumption that it will continue to be used in the same form as when acquired, in the meantime

being maintained by ordinary repairs but not rebuilt or redesigned; then over such estimated life term, spread the first cost of the machine. If a machine is rebuilt, the value that has been exhausted will presumably have been provided for through the renewal reserve. The first cost of the machine may therefore be reduced by the renewal provision, and the cost of rebuilding or a part thereof added, thus arriving at a new valuation for the rejuvenated appliance, on which a new estimate of life will be made and for the exhaustion of which a new renewal reserve will be provided. At the best, the depreciation reserve charge will be an estimate, and one can hardly do more than use the best information available, exercise good judgment, and make the appropriation in good faith, with a due regard for conservatism.

As to the expenditures chargeable to operating as ordinary repairs, and those properly applicable to the reserve fund provided for renewals, there will also be divergence of opinion. It might be laid down as a working rule, that if the operation of a machine or other property unit is discontinued in order that it may be overhauled thoroughly, and substantial parts replaced or improved devices added so that only minor repairs will be necessary for a long time to come, such work would constitute a renewal or rebuilding, the cost of which would be chargeable against the fund.

Income of Holding Company.

The income of the holding company is derived principally from dividends on the stocks of the subsidiary companies owned by it. If the dividends declared by the underlying companies whose operations have been profitable exhaust substantially all their earnings for the fiscal period, and if provision is made in the holding company's accounts for losses incurred by those underlying companies whose operations have been unprofitable, then the net income account of the holding company will show correctly its profit for the fiscal period which may be under consideration.

From the point of view of the stockholder, however, an income statement so prepared is unsatisfactory, while from the standpoint of the directors, such a form is inadvisable because

it does not disclose the information that it is reasonable to assume should be furnished to the owners, and in the case of reckless or dishonest management it paves the way for manipulation.

Since the major part of the income will be derived from dividends of underlying companies, it would be quite possible for them to declare dividends which more than exhaust their earnings, and which encroach upon the surplus earned during a previous period, or accumulated prior to their acquisition by the parent company. In either event, a dividend under such conditions would not represent the earnings for the year, and the income of the holding company would therefore be overstated to the extent that the dividend exceeds the current earnings of the underlying company. On the other hand, if the operations of the subsidiary companies have resulted unfavorably, the withholding from the income account of a reserve for the subsidiary company's losses will also result in an overstatement of the holding company's profits. The understatement of the profits would, under such conditions, also be quite feasible. Further, the very much condensed exhibit of net earnings which appears in the income account of the holding company, provides the stockholders with no data relating to the gross receipts, operating expenses, fixed charges, appropriations for reserves, and other matters pertaining to the administration of the group of companies of which they should be informed in order to judge intelligently as to the efficiency of the management.

Consolidated Profit and Loss Account.

It is therefore generally recognized by accountants that as the consolidated balance sheet should be substituted for the balance sheet of the holding company, there should likewise be submitted a consolidated profit and loss account in place of that of the holding company.

Most of the comment that is applicable to the consolidated balance sheet is pertinent to the consolidated profit and loss account. In the consolidated profit and loss account transfer of profits from subsidiary companies to the holding company through the medium of dividends will be ignored, and the earn-

ings, expenses, and charges of the several companies will be combined and stated as though the corporation were one enterprise.

In the consolidated statement, therefore, will appear the entire gross earnings of the group of affiliated companies. Such gross earnings will represent cumulatively the operations of the several underlying companies, i e., merchandise transformed into a marketable condition by one company and transferred to a second company for further manipulation and sale in a different form, would appear in the gross earnings of each company and their aggregate in the consolidated profit and loss account. While on the surface it would seem that there is a duplication of gross earnings under this method, it is probably the only practical way in which to state them where there is a large number of companies with very many manufacturing processes.

Again, as the property accounts of the various subsidiary companies are consolidated in the balance sheet, it would seem that the gross operations of those companies should likewise be aggregated in order to show the relation of the volume of business to the property investment.

From such gross earnings will be deducted the entire operating costs incurred in producing those earnings, the balance resulting being then subject to the addition of income of a miscellaneous nature, and the deduction of expenses which are not applicable directly to the manufacturing and producing operations.

In stating the consolidated income and profit and loss account there will probably be some difference of opinion as to the point at which charges other than for ordinary operating should rest, in order that the current net earnings of the undertaking may be shown. It is fairly clear that from the gross earnings must first be deducted the costs in labor, materials, and operating expenses, incurred in producing those earnings, in order that a, let us call it, manufacturing profit may be shown. It is true, that in an industrial enterprise, which includes mining, land, and water transportation, as well as many forms of manufacturing, such an expression is in a sense a misnomer, but as the mining and transportation are really tributary to the manufacturing, the title might stand. It is true also that there are so many different kinds of products, with varying rates of profits, included

in the gross earnings, that comparatively little use can be made of the figures as a basis of comparison from year to year. Nevertheless, as it is impossible in a condensed statement to show the volume and profit of each line of business the aggregate figures will give the stockholder some information as to the total business, and, in a rough way, the rate of profit thereon for comparison with preceding periods.

From the gross profit so ascertained, would be deducted the administrative, selling and general expenses, virtually common to the whole enterprise, and chargeable against the operations as a whole. The resulting balance will be subject to adjustments because of extraordinary items relating to operating, but which can not be included fairly in the current operating costs; and by income from investments, other than those representing the holding company's ownership of the subsidiary companies.

At this point it would seem that the profit and loss account as such should rest, the resulting balance being a profit or loss that may be said to represent the operating earnings or losses of the group for the fiscal period. These figures are the ones with which those interested in the enterprise are most concerned, as they reflect the rising or falling prosperity of the company.

The balance then carried forward from the current profit and loss to the income or general profit and loss account will be reduced by reason of reserves for depreciation, replacement, sinking fund requirements, etc., which are properly appropriated out of current earnings. Logically, such items should be deducted before the balance of current profits is struck, because the depreciation and replacement reserve at least are charges directly connected with operating, but as heretofore remarked, depreciation statistics are not sufficiently accurate, and the practice of reserving for depreciation is not yet common enough to justify the inclusion of such charges with the ordinary operating costs. Further, if they are stated separately, attention is drawn to the fact that reserve for depreciation has been made, and to the amount of that provision.

The balance of profits, after deducting the foregoing reserves, shows the position of the earnings with respect to the interest payable on the debt of the subsidiary and holding companies.

It may be held that interest on bonds of subsidiary companies (being a lien which must be deducted by the subsidiary company from its earnings before it can appropriate the remainder to the holding company) should be applied before the balance of current earnings is shown. It is suggested, however, that it is preferable, to embrace all of the interest on the funded debt of the companies in one group, in order that the total thereof may appear; also because the bonded debt of the subsidiary companies may change by reason of new securities of the holding company being issued in lieu thereof, or it may be reduced through the operation of the sinking funds, in either of which events the interest charge would be lessened, and a comparison of operating profits from year to year disturbed.

After the deduction of interest on the bonded debt, the balance remaining represents the profits available for dividends. The advisability of distributing it in dividends is another matter, however, and if the management is conservative, a large sum will doubtless be applied towards new construction work, thus, as has already been remarked, "squeezing out the water," or to put it more fairly perhaps, replacing the intangible assets with tangible physical property.

Monthly Balance Sheet.

The accounts of a corporation are intended to disclose the company's position as respects its debtors, its creditors, and its owners.

Its relations to its debtors arise through the charges made to them for the sales of its products, or from the debits of various kinds. Its liability to its creditors is created through the purchase from them of moneys, services, and materials, required in the conduct of its business operations. No abstruse accounting theories are involved in either of these two relations, as their ascertainment is dependent only on the correct use of the proper means.

The accounts which exhibit the company's position as respects its owners, or their representatives, the management, are more involved, and for that reason the discussion in this paper has been limited substantially to accounting problems or principles relating to these internal accounts.

Not many years ago it was considered that if the results of the operations of a business and its financial position could be shown once a year, or, at most, at the end of semi-annual periods, a more frequent statement was not necessary. When business units were much smaller than at present, competition less keen, and the number of those interested in each enterprise fewer, such a practice was fairly satisfactory, although there were apt to be surprises in store when the results of the fiscal period were disclosed.

In this present era of huge enterprises, however, a year, or even six months, is too long to conduct a business without knowing definitely the result; therefore, each month the management requires that there be placed before it statements showing how the company stands, and what it has earned or lost. Hence there have been introduced the monthly balance sheet and profit and loss account.

In preparing these monthly reports, it is, of necessity, essential that accrual accounts of various kinds shall be established, by means of which such expenditures as interest, taxes, insurance, and items of a similar character, which are paid at more or less infrequent intervals may be "spread" equitably over the year's operations and only the proper proportions of each appear in the monthly statements. No particular difficulty will be encountered with respect to these charges, as it will be quite possible to determine them with reasonable accuracy.

Stock Accounts.

The part of the work that occasions the most embarrassment and the one in which the possibility of error is greatest, is the ascertainment of the monthly inventory of the company's product finished and in process, and its current materials and supplies. It is comparatively easy to formulate a plan for handling stock accounts, by which the unused or unsold balances of materials and product may be shown from time to time, but the practical application of the scheme will be much more difficult.

In theory, all that is necessary is that accounts shall be kept with the several articles, singly or in groups, into which accounts

will be charged all of the items purchased or made at their cost, while out of the account will be credited those used or sold at the same average of cost, the balance representing those remaining on hand and their cost.

Assuming that proper allowance is made for waste and that suitable provision is made for obsolete merchandise or for shrinkages in value, the remainder would be the inventory value which would be included in the balance sheet. In practice, it will be found that many possibilities of error exist, and that eternal vigilance is necessary if the book inventory is to be accepted as correct.

Materials stored in large quantities may lose in weight or value; some are of such a character that the manufacturing operations will not permit of the ascertainment accurately of the quantities used from time to time; others, while nominally under the control of the stockkeeper, may be physically located in various parts of the plant, and when used may not be reported; stock clerks may be careless and issue materials without making a record thereof; in these and many other ways errors occur which disturb the correctness of the book balances. While it may be admitted that only a certain percentage of efficiency can be expected in stock accounts, nevertheless the information obtained from them and the saving effected through their use, far outweigh the possible weaknesses. If kept with reasonable accuracy they show the quantity of each kind of supplies or product on hand from time to time and thus tend to limit overbuying, while at the same time directing attention to merchandise in danger of becoming obsolete; they discourage waste by requiring accountability, either by bringing the physical control of the materials under the storekeeper, or at least under his supervision, so that when used they become a matter of record; they are virtually indispensable if correct cost accounts are to be kept, and they are essential in preparing the monthly balance sheet.

Cost Accounts.

Closely associated with the stock accounts and the monthly reports of operations are the cost accounts. While the matter of cost accounting is still in a formative state, it must be recognized

that great progress has been made in this department of accounts within the last few years. It has doubtless been the experience of every one, that, being called upon to audit the accounts of a manufacturing concern, the accountant might during the course of his work discover that in some corner of the office or shop, there were being kept some mysterious books which purported to be cost accounts. Not the slightest trace of this system would be found in the general books of account, and no attempt was made to reconcile or test the results shown by the cost accounts with those appearing in the commercial books. As a result, the cost accounts would sometimes show that large profits were being earned, but when the commercial books were closed this alleged profit would melt away in some strange fashion, until the balance might even be upon the other side.

As the necessity of securing accuracy in cost accounting became more apparent, it was recognized that a cost system conducted upon practically a single entry basis throughout was unreliable, and that it should dovetail into and be controlled by the general books of account. Hence, in the modern system of costs, instead of the stock records, the cost system and the general books of account being carried on as independent groups, they interweave one with the other and thus become what may truthfully be called a system.

It is impossible to frame a cast iron system that will be applicable to every line of business, and one should be beware of attempting to make the business fit the system, rather than adapting the system to the requirements of the business. Where the manufacturing units are large, it may be relatively easy to keep the cost of each, charging thereto the materials used and the labor spent in constructing it, together with its proportion of the general expenses. When the articles are small and the number of each large, it will be feasible to ascertain the cost in lots only.

Probably no great difference of opinion will exist with respect to the items which should be included in that part of the cost made up of materials and direct labor. As to materials there is usually no doubt, but in the case of labor there is sometimes a twilight zone between productive and non-productive labor which makes it difficult to determine how they shall be appor-

tioned. As a general proposition, it is perhaps safe to say that all labor that can be definitely identified as belonging to a particular piece of work, should be charged thereto, but no rule can be formulated that will cover every case. Wages of foreman or laborers might in one instance be classified as productive, if the operations were such that they were limited exclusively to one piece of work at a time, whereas ordinarily such expenditures would be included in the non-productive classification.

The proper distribution of the so-called "overhead" expenses is one problem that causes the accountant much anxious thought. A large manufacturing establishment has many departments, in some of which are used machines costly to purchase and expensive to operate; while in others, the equipment may be limited to small tools, representing a small investment and occasioning but little expense in their operation.

The productive labor in the first instance may be small in proportion to the cost of maintaining and operating the equipment; while in the latter case, the reverse would be true. If the combined expenses of the two departments are distributed on the basis of direct labor, it will manifestly result in the one case in charging too little to the cost, while unduly loading it up in the other. However, when all of the product of the factory passes through substantially all the departments, the productive labor basis is perhaps the most convenient and equitable way of apportioning the expenses. An excessive charge in one department will be corrected when the product reaches the next stage, so that in the end a reasonably correct distribution will have been made if the volume of work is fairly uniform and the expenses do not fluctuate violently. A concern manufacturing small tools which successively pass through the forging, grinding, polishing, and handling departments, might be cited as an example of the foregoing method.

The distribution of departmental or machine group expenses on the basis of the productive labor of each department or group of machines might be used advantageously in the case of a concern whose manufacturing processes are relatively simple, and whose product passes from the raw material to the finished stage with comparatively few rests.

If the manufacturing processes are complex and the cost of

each part at every stage must be ascertained, the machine rate basis is probably the most accurate method of apportioning the expenses. Under this plan the cost of maintaining and operating each machine tool is determined as accurately as possible, the number of hours it will be used under normal conditions estimated, and then the resulting rate per hour is assessed on each piece of work passing through the machine.

It is possible in the limited space here available to do little else than suggest some of the problems to be dealt with in cost accounting, but an important consideration is that all of the materials, labor and expenses should be accounted for, even though their distribution to particular pieces of work may not be made upon an absolutely correct basis. Herein lies the importance of designing the cost system so that it may fit in with and be controlled by the general books of account.

In the attempt to discuss a few phases of "The Accounting of Industrial Enterprises," the writer has been more and more impressed with the largeness of the subject, and he is constrained to regret that the topic given him to write upon was not more limited in scope, and thus have admitted of more thorough consideration. However, if upon reading this paper any new lines of thought are suggested, its object will have been accomplished.

MR. LYBRAND (Pennsylvania) in presenting the paper: Mr. President, gentlemen, when the subject of "Accounting of Industrial Enterprises," was allotted to me to write upon, I realized that the subject was so comprehensive that it would be impossible to go into it in a detailed and comprehensive way. I therefore thought it would be advisable to attempt only to deal with certain accounting principles involved in the organization and administration of industrial enterprises, and principally in the presentation of the profit and loss account of the results of industrial enterprises. The form of combination which is now most common, is as you know the holding company. It seems to me desirable to refer in a very brief way to the attempts at combination that had been enforced prior to the organization of holding companies, and at the beginning of the paper there are some slight references made to pools, trusts and holding companies. On page 257 I have sketched briefly

some of the advantages which are intended to accrue from the organization of subsidiary companies. As you know, I think, it is fair to say that many advantages are obtained in all of them. On page 6 under evils of monopoly it seemed to me that it might be advisable at this point to refer to certain evils referred to as "indissolubly associated with them," explains why combinations of this kind are dangerous. On page 259, in paragraph 2, I refer to the temptation of fraudulent promotion and speculative management as other evils ascribed to the combinations, and I shall be very glad to hear comments on these points. On page 260 there is a brief reference to "publicity," and I would be glad if discussion were directed that way. Also on page 260, under the head of accounts of a corporation, there is a number of references as to the form of the accounts and the scope which this paper is intended to cover. The scheme I tried to adopt was first to deal with the various accounts which occurred on the balance sheets of the holding companies, such as deficiencies from the operating company. The subsidiary companies and balance sheet of Holding Company is referred to on page 261, and under Holding Company the advances to subsidiary companies is considered. This is followed on page 262 by a reference to liabilities. On page 263 a form of consolidated balance sheet is introduced as a typical balance sheet, and I should be glad also if discussion would be directed to form. On page 264 reference is made to property account, and goodwill and other assets, and to the methods that will be adopted in consolidating the property accounts of the subsidiary companies. On page 265 reference is made to the consolidated balance sheet. Under item "Inventories," the question of inter-companies profits was considered, and I think discussion might be profitably directed to the question as to whether such inter-company profit should be included as part of the surplus or part of the reserve part of the surplus. On page 266 I have taken up Capital Surplus, and the same question possibly arises. There is some doubt in my mind as to whether this should be applied as a reserve or whether it should be deducted directly from the consolidated property account. On page 267 reference is made to subsidiary company balance sheets. On page 268 I take up the subject of the basis of capitalization based on earnings, and an attempt has been made to set the proper basis for

such capitalization, that is, I want to bring this section of the paper to your attention and show you that there is a difference between what is actually watered in capitalization and what is not watered, although there may be a difference in the tangible assets.

On page 268 I have referred to charges as to fixed asset accounts and considered as to whether they should be added to the plant permanently, or whether they should be charged off form a part of the year's expenditures account, that is dissolved immediately on the plant operations. On page 19 preferred charges and operations are considered, and to that section certain deferred expenses incident to business operations are run in seasons. I should like to hear this point discussed fully, and also the question of advertising, which is done on a year's schedule and proper preferred charge. On page 273 the sinking fund is set forth as well as liabilities. On page 274 full reserve accounts are considered, and on page 275 the question of depreciation is considered. Attention is called to the statement that the depreciation is now recognized throughout the country, while a few years ago it was necessary for the accountant to argue strenuously that depreciation would accrue, but I think it is now most generally recognized. The method of providing for a reserve fund to take care of depreciation is also considered to some extent. The income of the holding company is again considered on page 278 on a basis of the holding company's income, and not a consolidated profit and loss account. A profit and loss account follows on pages 279 and 280. On page 280 it is suggested that the gross earnings of the several companies be applied to the accumulative profit and loss account. It seems to me that it is the only way in which the account could be stated under the conditions which exist in the industrial enterprises. The form of the profit and loss account is distinguished from the income account on page 280 and 281, and I would like a discussion on these questions. On page 282 I have referred to the monthly balance sheet, and on page 283 to stock accounts and would like to have a discussion on that matter. On page 284 you will find cost accounts which are very briefly referred to. The subject of cost accounts is of course most important, and requires such comprehensive treatment that it is impossible in a paper of this length to do

more than refer to its most prominent features.

THE PRESIDENT: We will now proceed with the discussion of Mr. Lybrand's paper, and I would like to announce that I will be glad if Mr. Lybrand will take the last five minutes assigned to this discussion for the purpose of replying to the others who take part. Mr. Reckitt of Illinois has been assigned to open the discussion of this paper.

MR. ERNEST RECKITT, C.P.A., (Illinois):

MR. CHAIRMAN AND GENTLEMEN:

This convention of public accountants is, I consider, to be congratulated upon the particular theme selected by Mr. Lybrand in handling the broad subject suggested by the title of the paper, "The Accounting of Industrial Enterprises," for by taking up the subject of "Holding Companies," new problems are suggested in which the whole profession are interested and desirous of further enlightenment. But even by confining the subject more particularly to the accounts of holding companies, and the problems peculiarly applicable to them, a subject of great magnitude is opened up, and we find ourselves confronted with a variety of topics ranging from economics to factory costs; and the unfortunate individual who has promised to discuss this paper finds himself in the position of the small boy in the candy store—he does not know where to commence the attack.

I take it as an axiom that you can not engage in a discussion upon points in which all the parties thereto are fully agreed and equally well informed. Is it not therefore a corollary that a discussion to be of any interest must be upon topics where there is a disagreement, or where further information is desired? Accepting the above as true, I find myself in the unenviable position of one seeking to find flaws in Mr. Lybrand's most excellent paper, so as to provoke a discussion which may bring out new points of view, and I trust greater knowledge to us all.

But before taking up the petty questions wherein there may be differences of opinion, I desire to express my appreciation of the value of the broad principles laid down with which we must all be in hearty accord, and I deem it expedient to amplify and emphasize some of the points referred to in the paper we have just listened to.

It is more than probable that in the future most of those present will be requested to audit the books of a " Holding Company " and attach your certificate thereto. To give a certificate of the assets and liabilities of a " Holding Company," without making an audit of its subsidiary companies would constitute gross negligence unless such certificate contained qualifications as to render the use of such certificate absolutely abortive.

I have in mind a case where I was called in to make, as I supposed, an audit of the books, not only of the " Holding Company," but also of those of the subsidiary companies, and was amazed to find that it was proposed to only have me audit the " Holding Company's " books. Upon explaining that I could give no certificate on such audit, the most specious arguments were advanced, and the president of the company attempted to use the full force of his strong personality to persuade me to defer to his wishes, which naturally only made me suspect still more the motives which actuated him. Finally, and with great reluctance, they handed me the books of the subsidiary companies, and I found out that two of the companies had made losses aggregating over $200,000, no part of which losses had been taken care of on the books of the " Holding Company," though they had been careful to bring on to the books of the " Holding Company " the profits made by other subsidiary companies. One year later, the " Holding Company " and most of the subsidiary companies were in bankruptcy, as they deserved to be.

Another point which I desire to emphasize is that part of Mr. Lybrand's paper dealing with the treatment of the discount on bonds sold for the purpose of realizing cash for the purpose of purchasing real estate, erection of plant, etc. It is still, I fear, no uncommon thing to find that the discount on the sale of bonds has been charged as a capital asset into the plant account, and it lies buried there until the accountant investigates and analyzes this asset. As pointed out, this discount is nothing more than interest paid in advance, and must be treated as a deferred asset, a portion of which must be written off each year to interest account, so that at the date of the maturity of bonds the discount account will be entirely eliminated. The amount to be written off each year can of course be readily determined by reference to interest tables. As a partial offset to such reduction in the plant account, it is entirely proper to charge interest on the amount

invested in plant, etc., during the course of construction and prior to commencement of operating.

Under the caption of subsidiary company balance sheet, Mr. Lybrand discusses the method often adopted by large corporations of including in their property accounts various intangible assets, such as goodwill, franchises, etc., which too often only represent what is termed "water." The fact that there is "a strong tendency at the present time to attempt, with respect to railroads at least, an appraisement of their physical property" is then referred to and that in the future "it may not be unsafe to predict that ultimately the capitalization of corporations taking over a going business will represent the actual tangible property plus what the results of past operation will show to be a reasonable amount for goodwill, franchises, etc."

If from the above remarks the writer is to be understood that ultimately the capitalization of railroad corporations will only represent tangible property, plus a reasonable amount of goodwill, franchises, etc.; while heartily agreeing with him in the necessity for such a reformation, and, in fact, going one step further, and advocating the entire elimination of any valuation for goodwill and franchises, I fear, there are many almost insurmountable difficulties to overcome in attaining this result. I believe that all states require that the total bonded indebtedness shall not exceed the par value of the capital stock, and in fact in some states the proportion must be less than that stated. Inasmuch as it has usually been the policy in the past to construct the railroad from the proceeds of the sale of the bonds, and only to provide working capital from the capital stock, the fiction of a supposed goodwill or franchise valuation was necessary to offset the difference between the actual cash paid on the capital stock and its par value. That such alleged goodwill was a fiction scarcely needs discussion, for experience has proved it, quite apart from any economic consideration of the subject. On the basis of the above facts, it would appear to be impossible to make any change in those railroads whose assets include any considerable amount of "water," unless:

(1) The laws be amended to provide that the bonded indebtedness may exceed the capital stock; or

(2) A reorganization be effected wherein the bondholders

accepted common or preference stock in exchange for their bonds, and the original shareholders submitted to a reduction in their holdings.

As neither of the above changes are likely to occur, it would appear to me that for many years to come, we shall have with us railroad companies whose common stock will contain considerable water, and that the only effective means of treating such stocks will be by an appraisement of the property and the setting up of a "water account," entirely distinct from the tangible assets, so that "he who runs may read."

To correct such evils cropping up in the future, State or Federal laws should be enacted, making it impossible to carry on the books of a new railroad company any valuation for goodwill or franchises.

That after several years' successful operation, a railroad corporation may acquire a goodwill, no one will dispute, but that fact does not make it any more proper for a corporation to attempt to appraise its value and bring it as an asset upon its books, than if the same course were adopted by a private individual. If such goodwill exists, it will be reflected in the market prices quoted on the stock exchanges; and holding companies and operating railroads owning stocks of operating railroads should carry such stocks on their ledger at the time of purchase, only at the current market prices, making due allowance, from time to time, of fluctuations in the surplus accounts of the operating railroad. It would also be advisable for the holding company to make proper provision on their records, so that they could at all times know how much they had paid for the goodwill in the stock they had purchased.

In the last paragraph of that part of Mr. Lybrand's paper entitled "Charges to Fixed Asset Account," he apparently sanctions a practice which, unless mostly carefully guarded against, partakes of the nature of "secret reserves." He states:

"A discussion as to whether or not specific amounts should be written off goodwill, franchises, patents, trademarks, etc., would, under present conditions, probably be little more than academic. Nevertheless the policy in force in the most conservatively managed of the large corporations of absorbing a part of their earnings in adding to the physical property, is in effect a

writing off of such tangible assets. If continued for a sufficient number of years, the additions to the property charged against the surplus account, would ultimately take the place in the property account of the goodwill, franchises, etc., so that the property account would consist of tangible physical assets only. Assuming that the accounts have been kept in such a manner as to show clearly the cost of the additions so written off, this practice is to be commended. The stockholders thereby become accustomed to these charges against profits, and are less likely to demand larger dividend distributions, while the application of the earnings to the improvement of the property tends to maintain the earning power, admits of continuity and stability in dividend disbursements, and prevents to a considerable extent violent fluctuations in the market values of corporation's securities."

Now you will note that the effect of this practice must be to understate the value of the plant and other fixed assets. It is true that each year the annual report will show that a certain sum has been charged against the profits of that year as an appropriation to cover the cost of the outlays anticipated the succeeding year. A year later some other appropriation will be made, and so on; and the final result is that it is practically impossible for the layman or ordinary stockholder to trace how much has been thus invested in fixed and tangible assets, and how much of the common stock is still represented by " water." The shareholders of a corporation have certainly a right to know the real value of the tangible assets, the estimated value of the goodwill and how much " water " there is in the stock; and any statement which does not separate these items, should be looked upon with suspicion. A shareholder is entitled to his pro rata share of the whole profit between regular fiscal periods during the time he is a shareholder. He may not receive his profit entirely in the form of dividends, but that portion of the corporation's profits which are not paid out in dividends but left in surplus, should be so presented to the public that, *other things being equal,* the selling price of the stock will correspondingly increase; and the shareholder will receive the balance of his profits upon the sale of his stock. It is for these reasons that, in my opinion, the public accountant should refuse to countenance the " Secret Reserve," or any other action which makes it diffi-

cult for the layman to determine the true financial condition of the company in which his funds are invested.

The shareholder has too frequently been considered as a child, from whom it might be advisable to keep certain facts. I believe this condition of affairs is fast disappearing, and that the best co-operation is attained by the directors taking their shareholders into their confidence, and if there is "water" in the stock, let them separate it from the rest of the assets; and then at the close of the year the total additions to the plant should be charged to plant account, and an entry of like amount could be made crediting goodwill or franchise account and charging surplus, instead of charging the additions of the year direct to surplus, and thus clouding the issue.

Just one more point and then I must close. It is stated in this paper that "the practice of reserving for depreciation is not yet common enough to justify the inclusion of such charges with the ordinary operating costs," and that "further, if they are stated separately, attention is drawn to the fact that reserve for depreciation has been made, and to the amount of that provision." It is, of course, true that depreciation is after all, more or less an estimate; and that therefore it is better dealt with as a reserve than by deducting the depreciation from the plant account. But, if it is going to be included in the profit or loss account, it should, in my opinion, be included where it properly belongs. Before an association of this character it is unnecessary to enter into a discussion as to the nature of this charge for there is no question but that it is as much an operating charge as rent or power. Furthermore, as in any intelligent cost system, depreciation is considered as a factor, the profit or loss account should include under the caption of "operating expenses," all such items as are included under that term in the preparation of individual costs prepared by the cost department; otherwise, the profit and loss account will not reflect the total manufacturing cost of the goods sold. If, as is often the case, in the preparation of the profit and loss accounts of large corporations, it is expedient to give all the details of the operating charges, but rather to report their total in one item, then, I believe, it would be entirely proper, and in fact advisable, to make a foot note stating that the operating expenses included such and such an amount as a charge for depreciation.

In conclusion, in connection with cost accounts, Mr. Lybrand refers very amusingly to the cost departments as too often found in manufacturing establishments. I was recently called upon to deliver an address on "Factory Accounting" before the Illinois Institute of Accountants, and in referring to this same subject, I compared a system of accounts to the solar system, in which the sun was the accounting department, while the cost department, as usually found, could be compared to a comet, which annually, or at more uncertain intervals of time, visited the sun, and then disappeared for parts unknown. I merely mention this to illustrate the fact that both in the Eastern and Western States our profession is encountering the same difficulties, and have the same problems to overcome.

THE PRESIDENT: The discussion will be continued by Mr. Henry C. Magee, C. P. A., of New Jersey.

MR. MAGEE (New Jersey): Mr. Chairman, fellow members, and guests: One part of Mr. Reckitt's paper struck me particularly. He made mention of the discusser's being an unfortunate individual, "that's me."

For discussing a matter of this kind we are each given fifteen minutes. The president did not state whether each must use the whole fifteen minutes or not. I presume we won't.

I have heard a number of remarks about the length of these papers. Now the matter of discussion of them is quite temporary, but the papers themselves will live in the annals for time to come, therefore, I think the length of them instead of being a detriment is a very great advantage, more especially to those students and others who come after us, to teach them the way in which they should go. I have appreciated the papers presented at other meetings very much. The literature of accounting has been very scant, and especially that applicable to industrial enterprises. Railroad accounting seems to have been much more intelligently arranged, possibly because the directors being inexperienced perhaps in the matter of the physical operation of those particular industries, required specific information. In the matter of industrials very often those who are responsible for them and those to whom reports are made are directly in touch with the details of the business and know all they want to know (?) without

having the mysteries of the business set forth clearly on paper.

Mr. Lybrand's paper pleads particularly for publicity and light. I think Henry Drummond says somewhere that it is not heat so much that is wanted as light; not so much force but better direction to the power already generated. Now there is plenty of power and heat, but not enough direction and light in accounting matters.

He says system accounts must conform to the business, and not the business to the system.

I do not know how many times accountants have been attacked in my presence as merely theory men. It is said that they do not seem to get down to the practical end of the business. They require almost impossibilities. This was not a fact, but it was misunderstood as being a fact. Therefore Mr. Lybrand's declaration in the matter of system seems particularly opportune at this time.

Mr. Lybrand also says that his preceptor told him that accounting was simply writing the history of the facts of a business. A fact is capable of only one interpretation, but I do not know how many hundreds of thousands of misinterpretations. We go over a statement and reach a conclusion which is delivered as our interpretation of the fact, but all of us know that two accountants can approach a situation from entirely different avenues and reach entirely different conclusions, both acting in good faith throughout.

In speaking again of publicity: Publicity of legitimate enterprises will lessen the probability, very likely, of unfavorable legislation against those enterprises. The public sometimes takes attitudes towards large combinations of capital because they are ignorant of the good which they do. Very often they are the means of lessening prices. Sometimes their operations are not worthy of the scrutiny of publicity. In such cases those operations should be eliminated. Combinations when properly directed really ought to mean the specializing of particular branches of industry, and therefore should make a set of experts out of those who are engaged in their operations.

I know things that have come under my personal vision in which men have been enabled to increase their output over two hundred per cent. merely by specializing the particular sections

of the industry in which the men were engaged. One case in particular was mechanical. A currier was asked how many sides of leather could be curried in a day. He said, "thirty." The questioner retorted, "I do sixty here." He said, "It is impossible." The man who did, answered, "Come and I will show you how it is done." He was shown that it was done by specializing the work due to the proper accounting of the particular work under way, eliminating much lost motion from the old process.

The balance sheets should be a record of the facts, and they should be arranged so as to be intelligent to those for whom they are intended. Although they may have required an expert to compile the sheet, the layman may readily interpret its meaning. The day of the highly technical statement should be passed. Many of us have gone over statements which have been made up so that it would take not only an expert to interpret them, but would take considerable study on the part of that expert to understand them himself.

Now in regard to surplus subscribed: Mr. Lybrand was speaking of its separation from the surplus that accrues during the operation of the business. That would seem to be very proper. The date of entry that is entered in the reserve account would probably show that of itself, but the item should be so captioned as to make it apparent without any special observation.

Now, about watering stocks: In the matter of taking goodwill as water, or say (instead of watered stock) goodwill, its exact valuation seems to me a very debatable question, but there is no doubt that a value should be placed upon it. I have been engaged in certain businesses where I have seen that the goodwill was one of the greatest, if not the greatest, asset in the business. I have seen people, for instance, in a section of a city steering away from one part of that section as if it had the plague. Now I have seen that same business under different management, and catering to the goodwill of the public, made, to say it roughly, a howling success. Advertisers as a matter of fact are in the business solely to promote the factor of goodwill.

Take for example, a mine up in the hills, discovered by the owner, and some distance from the railroad; it will cost perhaps a slight sum to connect that with a railroad. The fact that there is money there, or money subject to development, will be

known. The owners of that railroad won't connect the spur, perhaps, without a consideration for their franchise. *They* must be paid. The people along the route must give their consent. Those who have solicited rights of way will appreciate how difficult those rights sometimes are to obtain, because, I suppose, people sometimes value those things much beyond what they are worth, but the cost is what you may have to pay for it, and not possibly what it might be appraised as worth, and the goodwill thus purchased becomes a decided factor in the business.

For instance, in speaking of deferred charges to operation, Mr. Lybrand mentions the advances of expenses required to be made ahead of seasons. Take the business of large department stores. The fiscal period ends at the close of December or the close of January. At that time all or many of the advanced goods for the succeeding season have been bought, running into hundreds of thousands of dollars. All that buying expense has been incurred which is a part of the next year's operation. He says that it may be argued that one year's overlap will balance the other's, yet if a sale of the business is to be made, that particular asset should be realized, and it would likely not be considered if it did not appear on the books. In the case of unexpired insurance, taxes, etc., they customarily have their place on the books and are very often regularly stated and drawn from and placed against operation according to the time in which they accrue, but the factor of advance expenses seems important, and seems to have escaped general notice in businesses of this character. I have been associated with many such businesses, and have never seen an account of that particular asset or deferred charge, which is an asset for the deferred time anyway.

The depreciation reserve should be maintained, in my opinion, to take care of the difference between the first cost and the estimated ultimate residue, and should not be confused with a sinking fund for bond retirement. Maybe I have misinterpreted that part of the paper, in thinking it states as proper to so apply it, in all probability depreciation would be separately accounted for, and if it would not be, it should be, and the sinking fund used for its specific purpose.

Just in connection with depreciation, once in my experience, when I called attention to the fact that no account for deprecia-

tion appeared on the books, the head of the company stated that the superintendent of the plant kept it always in perfect physical condition. Of course, that is impossible. It undoubtedly can not be done. I thought that I noticed an opinion to that effect (that such maintenance would be possible) from some member here, and I would like to be contradicted if I am in error. I personally do not see how it is possible, for no matter how carefully a machine may be made, the renewed parts, additions or improvements made will not assimilate with the old parts of the machine. It is humanly impossible to work such a miracle. The case of the "one hoss shay" of Holmes, where every part was in exact accord with every other part, the vehicle lasting exactly one hundred years, then going to dust in a heap might illustrate that however exact the original constructor (or renewals) might be, disintegration must ensue. The maintenance of each part of the vehicle was exactly balanced but even thus the life of the "shay" had its limit.

No doubt, a time will come when the insurance of equipment will be a part of the business of general manufacturing concerns much as health insurance is to-day with individuals. Then there would be given an opportunity for one company, or a number of companies, to take the experience of a large area so that the expense would not fall on one particular plant all in a heap, and in the case of a machine's breaking down through faulty construction or accident the loss will be better distributed. I have in mind, one, a three thousand dollar machine, which cost fifteen hundred dollars to rebuild after it was in operation only a few months. The cost of that had to be stood by the manufacturer, but how about the loss to the particular man in whose factory this machine was? He could not obtain redress for the loss of business and prestige in his trade. You can not replace or set up such a machine over night and you can not immediately accommodate other machines to the work so delayed, and at present little provisions seems to have been made against such happenings.

THE PRESIDENT: We will now take up the discussion of the paper under the five minute rule. Before throwing it open to the meeting generally, I would like to ask Mr. Arthur E. Green of

London, who has been asked to speak on this paper, if he will kindly take the floor.

MR. ARTHUR EDWARD GREEN (Vice-President, the Society of Incorporated Accountants and Auditors, London):

I would like to associate myself with the commendation that has been expressed here by Mr. Reckitt. The paper is to my thinking one that requires more thought than I have been able to give it; owing to the kindness of my friends I have not had much time alone. It has occurred to me that perhaps if I give you the ideas and thoughts of an Englishman, it may be more interesting than to attempt to discuss it from another point of view. First, I will say that I am at a great disadvantage because in England we do not have the holding companies that you appear to have here. The nearest approach to them are the trusts or investment companies which may take up a block of shares, not for the purpose of working any subsidiary business, but in the hope that the price of those shares will rise and they will be able to sell them and make a profit. Another near approach is that of the Coates' Cotton, who have recently, after great success on their own part, purchased large shares in the English Sewing Cotton Co., and have appointed one of their own directors, but there is no interference by Coates with the Englishmen as a body. The directors are the watchdogs, watching what is going on; not so much with a view of selling at a profit, as to control the market for the goods they manufacture, the business being nearly all handled by Coates and a large English company.

Referring to the paper itself, as an Englisman looking at this consolidated balance sheet, I would raise the query as to whether this form is sufficient. I see "Capital Stock of Holding Corporation," and "Capital Stocks of Subsidiary Companies not owned by Holding Corporation." It seems to me that I might mention a case in which you might have a holding company possessing one hundred thousand shares in a subsidiary company, and other persons holding, say, fifty thousand shares. Now, this form has the one item "surplus," and if you simply show surplus of assets over liabilities, the ignorant layman will think that the whole of that surplus is to be divided within the holding company, whereas only two-thirds of the amount of this surplus would really belong to the members of the holding corporation. I believe the writer of

the paper is to reply to questions. We have not these companies in England and perhaps we will be able to go back to England, being the first persons to know anything about them.

With reference to the transfer of stock between companies. That has an ominous meaning to me. Jabez Balfour had subsidiary companies for the transfer of land and so on. They transferred this from one company to another and made fifty thousand pounds of additional profit. When the balance sheet of number two company came along that was sold back at another profit of fifty thousand; so the value increased between the companies.

England, again, has Goodwill stated separately. The English law, as you will see by subsection "G," Section II, provides that if there is any Goodwill it has to be stated separately. Then the combination of the balance sheet between the holding company—of course, I don't know anything about that. It seems to me that the profit is expressed by the writer later on, I think on page 278, where he says the income of the holding company arises from the dividends paid by the subsidiary company. Consequently, if you show all the assets and liabilities of the subsidiary companies on the consolidated balance sheet, it seems to me the result will be misleading. Even if they hold the full capital stock of the subsidiary company, it seems to me you are mixing up the two companies—I presume they are two separate companies. If they hold only a part it seems to me you are taking into your balance sheet something which does not belong to you, because it is partly owned by somebody else.

Speaking of the issuing of the debentures or bonds; your bond is approximate to our debentures—a bond which is secured upon the assets. They are sometimes issued in England at a discount and then the effort is made to write the discount or loss off in four or five years, not because it is interest, but because it is an asset they don't like to see on the balance sheet.

There is one question as to the cost of future trading being considered a deferred charge in a department store. I only know of one case in England where the ordinary cost of working in one year is thrown over against the next. That expense is counted as something which has taken place, and you can not get anything back from it if you sell out to-day.

THE PRESIDENT: The paper is now open for general discussion.

MR. DAVIES (New Jersey): A few remarks. The only suggestion I have is this, regarding the form of balance sheet on page 263, a "typical balance sheet." I do not imagine Mr. Lybrand sets it up as his own production. It seems to me it is upside down. A balance sheet of a corporation to be comprehensive, to my way of thinking, should start with cash on hand then show liquid assets, and on the other side the liquid liabilities against the current assets, so that at a glance one sees what the working capital of the concern is. Following that it seems to me we should have the plant and machinery, buildings, real estate, etc., so that we know just where we stand. The capital stock as a liability, is the last liability we have to consider, and only becomes a liability when everything else has been paid off, so I offer the suggestion that it is not a proper way to set up the balance sheet of a corporation to head the Liabilities with the capital stock and the Assets, with the property.

MR. E. P. MOXEY, JR. (Pennsylvania): I rather hesitate to take part in a discussion which has been carried on by such distinguished and learned gentlemen whose experience has been much greater than my own. I will endeavor, however, to answer in a few words the inquiry made by our English friend, Mr. Green.

On page 263 of Mr. Lybrand's most excellent article, you will note that he is discussing the consolidated balance sheet. That consolidated balance sheet is entirely separate and distinct from the balance sheet of the holding company. The balance sheet of the holding company simply shows as assets the amount of its holdings in the stocks or bonds, whatever they may be, of the various subsidiary companies which are controlled by the holding company itself. And as liabilities, it shows on the credit side its own capital stock and bonds issued, with the difference carried in its own individual surplus account. Now, a stockholder in the holding company, or in the subsidiary companies, whose stock has not been absorbed by the holding company, before he can find out the total value of the various properties, must inspect and analyze the accounts of the various subsidiary companies. Therefore, the American accountants prefer what is known as a consolidated

balance sheet, in which the various properties, including all fixed and floating assets, and the current and other liabilities of the various companies, are brought together and presented in summarized form, so that you may obtain from the perusal of that balance sheet, by a mere inspection of same, the combined results as shown on the books of the subsidiary and holding companies. Therefore, the fact of the surplus being shown in the consolidated balance sheet, has no reference whatever to the balance of this account as shown by the holding company in its books, and, in fact, as you gentlemen know, the consolidated balance sheet is not found anywhere upon any of the books of any of the companies. It is simply a statement prepared by bringing together the various assets and liabilities of the subsidiary companies in order to present in one statement, the financial condition of the consolidation as a whole.

Mr. Weissinger (Pennsylvania): In addition to what Mr. Moxey has said, I would like to bring out this point, should an individual who holds the stock of a subsidiary company desire information, it seems to me that he would only be concerned with the balance sheet of that subsidiary company and this is the thought I think Mr. Green had in mind when he referred to the capital stock. The capital stock which is owned by the holding company is on its books for what it cost and that is a condition that exists between the subsidiary and the holding companies, and, as I see it, it is perefctly proper to set up the capital stock which the company does not own in the consolidated balance sheet because to that extent the subsidiary company is responsible to others than the stockholders of the holding company.

Mr. John Hyde (Montreal): It seems to me that in reading page 263, the consolidated balance sheet, we should read in connection with it, the consolidated profit and loss account on page 279. Naturally, if Mr. Lybrand is right on the balance sheet, he is right on the consolidated profit and loss account. Now, we take as a consolidated profit and loss account the working accounts of all the subsidiary companies. If, as stated by Mr. Green, the holding company has two-thirds of the capital stock of a company which shows a large loss that would reduce the net profits in the consolidated balance sheet, and the surplus would represent the net surplus of all the companies. The point which Mr. Green has

raised here to-day seems to be a very pertinent one, and one which Mr. Lybrand will probably enlighten us upon.

MR. COOPER (Illinois): The subject which is under discussion now, recalls to me the occasion upon which you yourself, Mr. President, honored the occasion in the same position that you do to-day. It then came up as a feature of the discussion of a paper read on this subject. For the information of our English friends, it resolves itself to one point—that is, that in this country we are not the independent servants of the stockholders, but are, generally speaking, the retained experts of the directors. That being the case, our friends on the other side are more fortunate, and their independent position has been deduced from the paper read yesterday, where they are declared statutorily to be in the position of arbiters. Now, here is the question which comes to me from Mr. Lybrand's essay: "At what point do the interested and controlling factors in a holding company dominate the factors of the subordinate elements?" I have known cases where the elements of both income and disbursements and of capital assets are stated in full when the holding company holds less than a practical control. It comes then to the crucial question what is the duty of the accountant under those very anomalous conditions. If by the preponderating influence or by the trading dominance, the directors say that the entire operating condition, and the assets, should be stated along with those subordinate companies that they hold and own by a substantial majority stockholding, or by holding the whole of the stock, then it becomes a very perplexing position for the retained auditor, particularly when we come to take the consolidated balance sheet that Mr. Moxey refers to as separate entirely from the holding company's balance sheet—and I think this comes to the essential question, "Of what does that balance sheet consist?" In a number of companies of which we all know something, from one dozen to three dozen companies are combined under one management, and that question is bound to present itself in about every instance, "To what extent is the holding company in effect in control?" so as to protect the interests of outside stockholders in the subordinate companies. You can readily see that on the other side of the Atlantic the situation is not one-tenth part as difficult as it is here, supposing they had such elements in trading. The answer to this question is in the advocacy by this

Association of the independence of the auditor, and his responsibility direct to the stockholders, as it is on the other side of the Atlantic.

THE PRESIDENT: The hour has now come to draw this discussion to a close, unless there is a desire on the part of the gentlemen present to continue. If there is, the chair will entertain a motion to that effect. If not, I will then ask Mr. Lybrand to occupy the closing period in replying.

MR. MONTGOMERY (Pennsylvania): I move that the discussion be continued for fifteen minutes.

The motion was duly seconded and carried.

MR. MAY (New York): I am speaking because Mr. Lybrand tells me he had in mind, in discussing the consolidated balance sheet, a corporation with which I am to some extent familiar—the United States Steel Corporation, which, he thinks, has one of the model balance sheets of the day.

I would like first to refer to Mr. Cooper's remark that accountants can not dictate the form of accounts of the companies which they audit. This remark it seems to me is calculated to create the impression that consolidated balance sheets have been forced upon accountants, whereas in many cases at least they originated with the accountants, and not with the companies. Mr. Green undoubtedly puts his finger on the vital question of the whole consolidated balance sheet, i. e.—the treatment of the capital stock and surplus of subsidiary companies not wholly owned. The consolidated balance sheet is an extremely useful method of conveying information, but it is a method to be handled with care. The crucial question is, what extent of stockholding shall involve the consolidation of the accounts of the subsidiary company, and how shall the surplus of such a company be treated? I think the point made by Mr. Greene, in regard to a company owning $100,000 of the capital stock of the company while $50,000 is in the hands of the public, is met by the statement that few accountants would recommend the incorporation of the accounts of such a company in a consolidated balance sheet. I think that only where there is a small portion of the stock outstanding should it be consolidated —mere control is not sufficient. In the United States Steel Corporation balance sheet there are the accounts of perhaps seventy-five or a hundred companies consolidated. In making its report

that company might pursue any one of three methods: First, it might publish a balance sheet showing its own securities outstanding and the investments on hand. This would of course give practically no information. Or, it might publish with its own balance sheet separate balance sheets for each of the companies which it controls, and those who could make any more out of these statements than they could out of the single balance sheet would be fortunate. The third alternative is the one which has been adopted, of a consolidated balance sheet, and inasmuch as the capital stock of subsidiary companies outstanding was at the 31st day of December, 1906, only about $30,000 (it was larger last year owing to the recent purchase of the Tennessee Coal & Iron Co.), the question of the share of assets and surplus accruing to the outstanding stock is one of altogether minor importance. In passing I might say that as I recall, this portion of the surplus is not included in the surplus shown on the balance sheet, but it is taken up as a liability on the theory that sooner or later it will be paid to the minority stockholders in dividends.

Regarding the question which Mr. Lybrand raised on pege 266 as to capital surplus, the United States Steel Corporation is a case in point. I think the comptroller of the Steel Corporation is really in accord with the views expressed by Mr. Lybrand—that the method adopted in that balance sheet is a compromise between the accounting and legal view of the situation, and as the capital surplus is ear-marked on the balance sheet and clearly shown, certainly no one can be misled. This is, of course, the one essential point, and the same remark applies to the question of intercompany profit, the facts as to which are clearly shown on the face of the United States Steel Corporation accounts. As a purely accounting proposition, I think perhaps the comptroller of the corporation would be glad to eliminate intercompany profits altogether, but this question can not be dealt with altogether as an accounting question, there being a number of important questions of policy involved. I think few appreciate the amount of work which is involved in intercompany profit accounting. In order to record the intercompany profit and have it constantly carried at the correct figure on the books of each of the subsidiary companies, the work of cost accounting is greatly increased, and I think it is a good illustration of the importance attached by the

Steel Corporation to sound accounting, that they take the trouble to do all this work.

Mr. Reckitt enunciated his view that the stockholders of corporations were entitled to know how much of their capital was represented by fixed properties and how much by goodwill. If that is so, I am afraid the vast majority of the stockholders in the United States are deprived of their just rights, and when he says that he would insist that the physical value should be distinguished from the goodwill, I would like to ask him how he would do it. I take it that the company has usually no goodwill at all until it is earning something more than a low interest on the capital invested. Now the buildings and plant of a company which is earning a substantial profit over and above all interest charges, is certainly worth its full-going concern value, but suppose a company is not earning enough profits to have any goodwill, what is the value of the plant? It seems to me that in the last analysis if you are going to take plant values as the going concern values, they only have them when they have a goodwill value in addition, and that the going concern values of tangible assets and the goodwill value are very closely associated.

The question of discounts on bonds is one in which I take considerable interest. It is interesting to know that the Interstate Commerce Commission has reversed its position that it formerly held and has taken the position which Mr. Lybrand takes in his paper. I notice that Mr. Adams, in a recent lecture delivered at Harvard, directs attention to this as a great point established by the Interstate Commerce Commission.

A further point raised by one of the speakers was as to the carrying forward of expenses on seasonal business. I think this is a dangerous practice, especially where there is a big asset of goodwill. I think the more conservative view to take is that the expenses necessary to keep up the next season's business are effectively an expense for preserving the goodwill of the business. As regards the buying expenses of a department store, I do not think any valid objection can be taken to these being included. In my experience it has often been found, in fact generally, that department stores do not take into account discounts on purchases on the one hand, or buying expenses on the other, and that these about offset each other.

MR. MONTGOMERY (Pennsylvania): I just want to supplement one point Mr. May brought out and I want to go a little bit further. Mr. May mentioned that the surplus which belongs legally to the minority stockholder in a subsidiary company is not considered as a part of the surplus of the holding company, because the minority stockholder must be supposed in time to receive that surplus in dividends. He should receive it and it belongs to him. On the other hand, I think the deficit in a subsidiary company which is largely owned or controlled by the holding company—if that subsidiary company is a necessary part of the group of companies, and necessary for the operation of the holding company effectively, I think the opposite treatment should be made of the deficit. I think the holding company should take up the entire deficit. If a company holds ninety per cent. of the stock of a subsidiary company and the subsidiary company shows a loss, I think the holding company should take up one hundred per cent. of the loss, because if they don't take up the loss in that way, they must meet it as one of its bad debts or through depreciation in the value of the capital stock of the subsidiary company owned.

MR. JOHN W. ROSS (Canada): As the time for discussion is almost up I do not wish to take up any new point, but I would like to say a word on the interesting topic of the consolidated balance sheet. If, as suggested by one of the speakers, the consolidated balance sheet is merely a summarized statement of the assets and liabilities of the various subsidiary companies, I fail to see that there is any place on the consolidated balance sheet for the capital stock held by the holding corporation being shown separately. If the holding corporation has paid more or less than par for the stock in the subsidiary companies, and to that amount of money you add the balance of the minority stock outstanding in the subsidiary companies you do not get the aggregate value of the capital stock of the various companies. Neither do I know how your laws here can give the holding corporation control of the surplus of the subsidiary companies if there are minority stockholders still existing. In Canada this could not be done. Our Joint Stock Companies' Act is perfectly clear in the matter. We have cases where the holding corporations do not own the entire stock in the various subsidiary companies, and they can

not control either the assets or surpluses of these companies as a holding corporation.

In these cases the holding corporations enter into an agreement by which they lease the business of the subsidiary companies, and this lease remains in existence until all the minority stockholders sell or transfer their stock over to the holding corporation. In such cases the undivided profits or surplus is not taken into account in the records of the holding corporation in any way. These surpluses belong to the subsidiary companies until they have been voted in dividends to the stockholders of the subsidiary companies, and then the holding corporation takes its share in that division. Therefore, although a consolidated balance sheet of the subsidiary companies may be of interest to show in a summary the different assets and liabilities, it is really entirely outside of the records of the holding company. They simply show on their balance sheet the amount they have invested in stocks of these subsidiary companies, and any surplus which may have been created from their share of the dividends declared by these companies.

Mr. Lybrand (Pennsylvania): My idea of a consolidated balance sheet is that it is merely a method of conveying to the owners of the corporation information as to the undertaking as a whole. I do not suppose it has any legal status. The separate companies, of course, retain their corporate identity and are separate corporations, but as Mr. May has suggested, in order to show the results for the operation of each individual company which is controlled by the holding company, you would have such a mass of statements that nobody could possibly comprehend them, and for that reason a consolidated balance sheet is submitted showing the position of the undertaking as a whole. On page 263 I said that while these companies under the holding company scheme retain their corporate identity, and are in the eyes of the law separate corporations, yet there is a virtual consolidation of ownership, the results of which can be properly expressed in a statement of their accounts only by consolidating the balance sheets of all the companies into one balance sheet, eliminating therefrom the inter-company stocks, bonds and accounts, which indicate the relation of one company to another, and not to the public.

I think the other features of the consolidated balance sheet and the treatment of the surplus, have been discussed as fully as I could do so, and it is perhaps unnecessary for me to say anything more on that subject.

On page 268 where reference is made to the water in stock issues, and the goodwill, I did not mean to deny that there is not such an asset as goodwill. I tried, at least, to bring out clearly the thought that there is a goodwill in very many undertakings and that the tangible physical assets need not measure up to the capitalization, but it seems to me that there can also be no question that in very many organizations of corporations there has been capitalization based on prospective earnings, or on hardly any basis at all which can be identified as admitting that there is water.

With respect to the deferred charges to operation on page 271, I agree that only in special instances is it wise to carry over to the succeeding year expenses which ordinarily would be charged against the current operations. I think it is well, however, in partnership, for instance, to have some reference made in the agreements to the fact that there are such expenses in case of dissolution, because I know that it has been my experience that while such a claim for deferred charges may be reasonable and just, it is difficult to get it allowed, unless it has been mentioned on the books, so that when dissolution of the partnership occurs, it may be taken into consideration.

Referring to page 281 as to the inclusion in the current operating expenses of charges for depreciation. I think also that the time will ultimately come when it may be advisable to include the depreciation charge as part of operating expenses, but it seems to me that that should be deferred until sometime very much in the future, when depreciation statistics are of more value, and when we may be sure that the depreciation which is included in current operating represents fairly accurately the depreciation which has taken place in plant.

I am very grateful to the gentlemen for the discussion of the paper. It has been of very great interest to me indeed.

C. P. A. LAWS

As Enacted by the Several States

ALSO

Model C. P. A. LAWS

AS SUGGESTED BY

The American Association of Public Accountants

UNIVERSITY OF THE STATE OF NEW YORK
COLLEGE DEPARTMENT.
CERTIFIED PUBLIC ACCOUNTANTS LAWS OF NEW YORK, 1896.

Chapter 312.

AN ACT TO REGULATE THE PROFESSION OF PUBLIC ACCOUNTANTS.

SECTION 1. Any citizen of the United States, or person who has duly declared his intention of becoming such citizen, residing or having a place for the regular transaction of business in the state, being over the age of 21 years and of good moral character, and shall have received from the Regents of the University a certificate of his qualifications to practice as a public expert accountant, as hereinafter provided, shall be styled and known as a Certified Public Accountant, and no other person shall assume such title, or use the abbreviation "C. P. A." or any other words, letters or figures, to indicate that the person using the same is such certified public accountant.

SEC. 2. The Regents of the University shall make rules for the examination of persons applying for certificates under this act, and may appoint a board of three examiners for the purpose, which board shall, after the year 1897, be composed of certified public accountants. The Regents shall charge for examination and certificate such fee as may be necessary to meet the actual expenses of such examination, and they shall report annually, their receipts and expenses under the provisions of this act to the state comptroller, and pay the balance of receipts over expenditures to the state treasurer. The Regents may revoke any such certificate for sufficient cause after written notice to the holder thereof and a hearing thereon.

SEC. 3. The Regents may, in their discretion, waive the examination of any person possessing the qualifications mentioned in Section 1 who shall have been, for more than one year before the passage of this act, practicing in this State on his own account, as a public accountant, and who shall apply in writing for such certificate within one year after the passage of this act.*

SEC. 4. Any violation of this act shall be a misdemeanor.

SEC. 5. This act shall take effect immediately.

Dated April 17, 1896.

NOTES ON THE LAW.

1. The use of the abbreviation "C. P. A.," or any other words, letters or figures to indicate that the person using the same is a certified public accountant is prohibited execpt to those holding Regents' certificates.

* NOTE.—Laws 1901, ch. 343, extends the time for application under this section to Sept. 1, 1901.

2. The three examiners are appointed to serve for one year. Since 1897 the board has been composed of certified public accountants.

3. Certificates will be revoked for cause.

4. The full C. P. A. certificate is granted only to those at least 25 years of age who have had three years' satisfactory experience in the practice of accounting, one of which shall have been in the office of an expert public accountant.

5. Candidates having the required preliminary education and passing the required examinations, but lacking the age or the three years' experience required for the full C. P. A. certificate, may be certified as junior accountants under the same conditions as to residence and character.

6. Two examinations are held annually in January and June respectively. There are three sessions of three hours each and one of four hours: (1) theory of accounts, 3 hours; (2) practical accounting, 4 hours; (3) auditing, 3 hours; (4) commercial law, 3 hours.

7. Candidates must complete all four subjects at a single examination as required in medicine.

8. Candidates for either the C. P. A. or the junior accountant certificate must be more than 21 years of age and of good moral character. They must pay a fee of $25, and must have the Regents' academic diploma or its equivalent as prescribed for other professional examinations. (See examination handbook.)

Applications should be made at least 10 days in advance to College Department, University of the State of New York, Albany, N. Y.

PLACES.

New York, Albany, Syracuse, Buffalo.
Each candidate is notified as to exact place.

DAILY PROGRAM.

Morning, 9.15.

Tuesday—Theory of accounts; Wednesday—Auditing.

Afternoon, 1.15.

Tuesday—Practical accounting; Wednesday—Commercial Law.

STATE OF PENNSYLVANIA.

AN ACT TO ESTABLISH A BOARD FOR THE EXAMINATION OF ACCOUNTANTS, TO PROVIDE FOR THE GRANTING OF CERTIFICATES TO ACCOUNTANTS, AND TO PROVIDE A PUNISHMENT FOR THE VIOLATION OF THIS ACT.

SECTION 1. Be it enacted, etc., That any citizen of the United States, residing or having an office for the regular transaction of business in the State of Pennsylvania, being over the age of twenty-one years and of good moral character, and who shall have received from the Governor of the State of Pennsylvania a certificate of his qualification to practice as a public expert accountant, as hereinafter provided, shall be designated and known as a certified public accountant, and no other person shall assume such title, or use the abbreviation "C. P. A.," or any other words, letters or figures to indicate that the person using the same is such certified public accountant. Every person holding such certificate, and every co-partnership of accountants, every member of which shall hold such certificates, may assume and use the title of certified public accountants, or the abbreviation thereof, C. P. A.; *Provided*, That no other person or co-partnership shall use such title or abbreviation, or other words, letters or figures, to indicate that the person or co-partnership using the same is such certified public accountant.

SEC. 2. The Governor of the State of Pennsylvania shall appoint a board of five examiners for the examination of persons applying for certification under this act. Three of said examiners shall be public accountants, who shall have been in practice as such for at least five years; one of whom shall be appointed for the term of one year, one for two years, and one for three years, and upon the expiration of each of said terms an examiner shall be appointed for the term of three years, and after one thousand eight hundred and ninety-nine these three examiners shall be certified public accountants. The other two examiners shall be practicing attorneys in good standing in any of the courts in the State of Pennsylvania; one of them shall be appointed for the term of one year, and the other for two years, and upon the expiration of each of said terms a successor shall be appointed for the term of two years. The examination for certificates shall be based upon an examination in commercial law and general accounting; said examination shall take place in Philadelphia, Harrisburg, and Pittsburg, twice a year, during the months of May and November of each year, under such rules and regulations as may be adopted by the board. The fees provided by this act shall be twenty-five dollars for each applicant, from which shall be paid from the expenses incident to such examination for stationery and clerk hire, a sum not exceeding two hundred dollars, and if any surplus above said expenses shall remain at the end of any year it shall be paid, after the traveling expenses of the board shall be deducted therefrom, into the treasury of

the Commonwealth. The results of such examinations shall be certified to the Governor and filed in the office of the Secretary of Internal Affairs, and kept for reference and inspection for a period not less than five years; the Governor to issue the certificates.

SEC. 3. The Governor of the State of Pennsylvania may revoke any such certificate for sufficient cause, upon the recommendation of the board of examiners, who shall have given written notice to the holder thereof, and after he has had a hearing thereon.

SEC. 4. The board of examiners may, in its discretion, waive the examination of any person who shall have been for three years before the passage of this act practicing in the State of Pennsylvania as a public accountant, and who shall apply in writing for such certificate within one year after the passage of this act.

SEC. 5. If any person shall hold himself out as having received the certificate provided for in this act, or shall assume to practice thereunder as a certified public accountant, or use the initials C. P. A., without having received such certificate, or after the same shall have been revoked, he shall be deemed guilty of misdeameanor, and on conviction thereof shall be sentenced to pay a fine not exceeding five hundred dollars.

Approved the 29th day of March, A. D. 1899.

(Signed) WILLIAM A. STONE.

STATE OF MARYLAND.

Chapter 719—Acts 1900.

AN ACT TO REGULATE THE PRACTICE OF THE PROFESSION OF PUBLIC ACCOUNTANT IN THE STATE OF MARYLAND.

SECTION 1. Be it enacted by the General Assembly of Maryland, That any citizen of the United States, or person who has duly declared his intention of becoming such citizen, residing or having a place for the regular transaction of business in the State of Maryland, being over the age of twenty-one years and of good moral character, and who shall have received from the Governor of the State of Maryland a certificate of his qualification to practice as a public expert accountant, as hereinafter provided, shall be styled and known as a certified public accountant; and no other person shall assume such title, or use the abbreviation "C. P. A.," or any other words, letters or figures to indicate that the person using the same is such certified public accountant.

SEC. 2. The Governor shall, within sixty days after the passage of this Act, appoint a board of four examiners for the examination of persons applying for certificates under this Act; two of said examiners shall

be public accountants, selected from a list of six names proposed by the Maryland Association of Public Accountants, one of which said two examiners shall hold office for the term of one year, and one for the term of two years, and upon the expiration of each of said terms, and of each succeeding term, an examiner shall be appointed for the term of two years, and after the year nineteen hundred each successor to said two examiners shall be appointed from such persons as may hold certificates as Certified Public Accountants under this Act. The other two of said board of examiners shall be practicing attorneys, in good standing, in any of the courts of the State of Maryland; one of them shall hold office for the term of one year, the other for the term of two years, and upon the expiration of each of said terms and each succeeding term a successor shall be appointed for the term of two years, such successors to be practicing attorneys, in good standing, as hereinbefore mentioned.

SEC. 3. Examinations of persons applying for certificates under this Act shall be held at least once every year, and be conducted according to such rules and regulations as the said board of examiners may adopt for the purpose. The results of such examinations shall be certified to the Governor, and to all persons as may have passed examination satisfactory to said board of examiners, and by it been recommended, the Governor shall issue the certificate mentioned in the first section of this Act.

SEC. 4. The board of examiners shall charge for examination and certificate such fee as may be necessary to meet the actual expenses of such examinations and issuing of such certificate, and shall report annually the receipt and expenses under the provisions of this Act to the State Comptroller, and the surplus, if any, of receipts over expenses shall be paid into the State Treasury. The Governor may revoke any certificate issued under the provisions of this Act for a sufficient cause; provided written notice shall have been given to the holder thereof, and after he has had an opportunity for a hearing thereon.

SEC. 5. The board of examiners may in its discretion waive the examination of any person possessing the qualifications mentioned in Section 1 of this Act, who shall have been at the time of the passage of this Act practicing in this State as a public accountant on his own account, and who shall apply in writing to said board for such certificate within one year after the passage of this Act, and upon the recommendation of said board the Governor shall issue said certificate to such person.

SEC. 6. Any person who shall violate any of the provisions of this Act shall be deemed guilty of a misdemeanor, and upon conviction thereof in any court having criminal jurisdiction shall be fined not less than fifty dollars nor more than two hundred dollars, or be confined not more than six months in the county jail, if the conviction takes place in Baltimore City, in the Baltimore City jail,, in the discretion of the court.

SEC. 7. And be it enacted, That this Act shall take effect from the date of its passage.

Approved April 10, 1900.

STATE OF CALIFORNIA.

STATE BOARD OF ACCOUNTANCY.

Chapter 213.

AN ACT TO CREATE A STATE BOARD OF ACCOUNTANCY AND PRESCRIBE ITS DUTIES AND POWERS; TO PROVIDE FOR THE EXAMINATION OF AND ISSUANCE OF CERTIFICATES TO QUALIFIED APPLICANTS, WITH THE DESIGNATION OF CERTIFIED PUBLIC ACCOUNTANT; AND TO PROVIDE THE GRADE OF PENALTY FOR VIOLATIONS OF THE PROVISIONS HEREOF.

(Approved March 23, 1901.)

The People of the State of California, represented in Senate and Assembly, do enact as follows:

SECTION 1. Within thirty days after the passage of this act the governor shall appoint five persons, at least three of whom shall be competent and skilled public accountants who shall have been in practice as such in this state for not less than five consecutive years, to constitute and serve as a state board of accountancy. The members of such board shall, within thirty days after their appointment, take and subscribe to the oath of office as prescribed by the Political Code, and file the same with the Secretary of State. They shall hold office for four years, and until their successors are appointed and qualified; save and except that one of the members of the Board first to be appointed under this act shall hold office for one year; one for two years; one for three years, and two for four years. Any vacancies that may occur, from any cause, shall be filled by the governor for the unexpired term; provided, that all appointments made after the first year must be made from the roll of certificates issued and on file in the office of the governor.

SEC. 2 The State Board of Accountancy shall have its office in the city and county of San Francisco, and its powers and duties shall be as follows:

1. To formulate rules for the government of the board and for the examination of and granting of certificates of qualification to persons applying therefor;

2. To hold written examinations of applicants for such certificates, at least semi-annually, at such places as circumstances and applications may warrant;

3. To grant certificates of qualification to such applicants as may, upon examination, be found qualified in "theory of accounts," "practical accounting," "auditing," and "commercial law," to practice as certified public accountants;

4. To charge and collect from all applicants such fee, not exceeding

twenty-five dollars, as may be necessary to meet the expenses of examination, issuance of certificates and conducting its office; provided, that all such expenses, including not exceeding five dollars per day for each member while attending the sessions of the board or conducting examinations, must be paid for the current receipts, and no portion thereof shall ever be paid from the state treasury;

5. To require the annual renewal of all such certificates, and to collect therefor a renewal fee of not exceeding one dollar;

6. To revoke for cause any such certificate, after written notice to the holder, and a hearing being had thereon; provided, that such revocation must receive the affirmative vote of at least four members of the board;

7. To report annually to the governor, on or before the first day of December, all such certificates issued or renewed, together with a detailed statement of receipts and disbursements; provided, that any balance remaining in excess of the expenses incurred may be retained by the board and used in defraying the future expenses thereof;

8. The board may, in its discretion, under regulations provided by its rules, waive the examination of applicants possessing qualifications mentioned in section three, who shall have been for more than three years prior to the passage of this act practicing in this state as public accountants on their own account, and who shall, in writing, apply for such certificates within one year thereafter.

SEC. 3. Any citizen of the United States, or any person who has duly declared his intention of becoming such citizen, residing and doing business in this state, being over the age of twenty-five years and of good moral character, may apply to the state board of accountancy for examination under its rules, and for the issuance to him of a certificate of qualification to practice as a certified public accountant, and upon the issuance and receipt of such certificate, and during the period of its existence, or of any renewal thereof, he shall be styled and known as a certified public accountant or expert of accounts, and no other person shall be permitted to assume and use such title or to use any words, letters or figures to indicate that the person using the same is a certified public accountant.

SEC. 4. Any violation of the provisions of this act shall be deemed a misdemeanor.

SEC. 5. This act shall take effect from and after its passage.

STATE OF ILLINOIS.

Senate Bill No. 382. House Bill No. 750.

A BILL FOR AN ACT TO REGULATE THE PROFESSION OF PUBLIC ACCOUNTANTS.

SECTION 1. Be it enacted by the people of the State of Illinois, represented in the general assembly. That any citizen of the United States

or person who has duly declared his intention of becoming such citizen, having a place for the regular transaction of business as a professional accountant in the State of Illinois, being over the age of twenty-one years, of good moral character, being a graduate of a high school with a four years' course, or having had an equivalent education, and who shall have received from the University of Illinois a certificate of his qualifications to practice as a public expert accountant as hereinafter provided, shall be styled and known as a "Certified Public Accountant"; and no other person shall assume such title or use the abbreviation "C. P. A.," or any other words or letters to indicate that the person using the same is a Certified Public Accountant.

SEC. 2. The University of Illinois shall determine the qualifications of persons applying for certificates under this Act and shall make rules for the examination of the same, and for this latter purpose shall appoint three examiners, at least two of whom shall be skilled in the practice of accounting and actively engaged therein in the State of Illinois, and the third shall be either an accountant of the grade herein described or an attorney skilled in commercial law.

The time and place of holding the examinations shall be duly advertised, for not less than three consecutive days, in one daily newspaper published in each of the places where the examinations are to be held, not less than thirty days prior to the date of each examination.

The examination shall be in "Theory of Accounts," "Practical Accounting," "Auditing," and "Commercial Law" as affecting accountancy.

The examinations shall take place as often as may be necessary in the opinion of the University, but not less frequently than once a year.

SEC. 3. The University of Illinois may in their discretion, under regulations provided by their rules, waive all or any part of the examination of any applicant possessing the qualifications mentioned in Section 1, who shall have had five successive years' previous experience as a public accountant previous to the date of application, who shall apply in writing within one year after the passage of this Act, and who shall have been practicing in this state as a public accountant, on his own account, for a period of not less than one year next prior to the passage of this Act; also to any person who shall have been actively engaged in practice as a public accountant for not less than five years next prior to the passage of this Act, outside of the State of Illinois, who shall have passed an examination equivalent, in the opinion of the University of Illinois, to the examination to be held under the provision of this Act.

SEC. 4. (a) The University shall charge for the examination and certificate a fee of twenty-five dollars ($25) to meet the expenses of such examinations. This fee shall be payable by the applicant at the time of filing his application.

(b) The Examiners appointed by the University of Illinois shall be paid for the purpose of this Act for the time actually expended in the pursuance of the duties imposed upon them by this Act, an amount not exceeding ten dollars ($10) per day, and they shall be further entitled to their necessary traveling expenses. All expenses provided for by this Act must be paid from the receipts under this Act, and no expense incurred under this Act shall be a charge against the funds of the University.

(c) From the fees collected under Section 4 the University of Illinois shall pay all the expenses incident to the examinations held under this Act, the expense of issuing certificates, and traveling expenses of the examiners, and their compensation while performing their duties under this Act.

SEC. 5. The University may revoke any certificates issued under the provision of this Act, for unprofessional conduct or other sufficient cause, provided that written notice shall have been previously mailed to the holder of such certificate twenty days before any hearing thereon, stating the cause for such contemplated action, and appointing a date for a full hearing thereof by the University; and provided further, that no certificates shall be revoked until a hearing shall have been made.

SEC. 6. If any person shall represent himself to the public as having received a certificate as provided in this Act, or shall assume to practice as a Certified Public Accountant, or use the abbreviation "C. P. A.," or any similar words or letters to indicate that the person using the same is a Certified Public Accountant, without having received such certificate; or if any person having received a certificate as provided in this Act, and having thereafter lost such certificate by revocation as herein provided, shall continue to practice as a Certified Public Accountant; he shall be deemed guilty of a misdemeanor and upon conviction thereof shall be fined a sum not exceeding two hundred dollars ($200) for each offense; providing that nothing herein contained shall operate to prevent a Certified Public Accountant who is the lawful holder of a certificate issued in compliance with the laws of another State, from practicing as such within this State, and styling himself a Certified Public Accountant.

May 15, 1903.

STATE OF WASHINGTON.
STATE BOARD OF ACCOUNTANCY.

AN ACT TO CREATE A "STATE BOARD OF ACCOUNTANCY," AND PRESCRIBE ITS DUTIES AND POWERS; TO PROVIDE FOR THE EXAMINATION OF, AND ISSUANCE OF CERTIFICATES TO, QUALIFIED APPLICANTS, WITH THE DESIGNATION OF CERTIFIED PUBLIC ACCOUNTANT, AND TO PROVIDE THE PENALTY FOR VIOLATIONS OF THE PROVISIONS THEREOF.

Be it enacted by the Legislature of the State of Washington, as follows, to wit:

SECTION 1. Within thirty days after this act shall take effect, the Washington Association of Public Accountants shall elect fifteen reputable and skilled accountants, who shall have been in practice as such not less than three consecutive years, from which the Governor shall appoint five. The said five skilled accountants duly elected and appointed shall constitute the Board of Accountancy of the State of Washington, and shall hold office, as respectively designated in their appointments, for the term of one, two, three, four, or five years, as hereinafter provided, and until their successors have been duly elected and appointed. The members of such board shall, within thirty days after their appointment, take and subscribe to the oath of office as prescribed by the statutes of the State of Washington, and file the same with the Secretary of State. The Certified Public Accountants of the State of Washington, as hereinafter provided, shall annually elect five of their number, one of whom the Governor of the State of Washington shall appoint to fill the vacancy annually occurring in said board, such appointment to be for the term of five years. In case of a vacancy occurring from any cause, the Governor shall fill the vacancy by appointing a Certified Public Accountant from the names last submitted, to serve as a member of the board for the remainder of the term.

SEC. 2. The State Board of Accountancy shall have its office at such place in the State of Washington as shall be designated by the board, and its powers and duties shall be as follows:

First: To formulate rules for the government of the board and for the examination of, and granting of certificates of qualification to, persons applying therefor.

Second: To hold written examinations of applicants for such certificates, at least semi-annually, at such places as circumstances and applications may warrant.

Third: To grant certificates of qualification to such applicants as may, upon examination, be found qualified in "theory of accounts," "practical accounting," "auditing," and "commercial law," to practice as Certified Public Accountants.

Fourth: To charge and collect from all applicants such fee, not exceeding twenty-five dollars, as may be necessary to meet the expenses of examination, issuance of certificates, and conducting its office; provided, That all such expenses, including not exceeding five dollars per day for each member while attending the sessions of the board or conducting the examinations, must be paid from the current receipts; and no portion thereof shall ever be paid from the State Treasury.

Fifth: To revoke for cause such certificate, after written notice to the holder, and a hearing being had thereon; Provided, That such revocation must receive the affirmative vote of at least four members of the board.

Sixth: To report annually to the Governor, on or before the first day of January in each year, all such certificates issued during the preceding

year, together with a detailed statement of receipts and disbursements; Provided, That any balance remaining in excess of the expenses incurred may be retained by the board and used in defraying the future expenses thereof.

Seventh: The board may, in its discretion, under regulations provided by its rules, waive the examination of applicants possessing the qualifications mentioned in sub-section three of this section, who shall have been for more than one year prior to the passage of this act, residents of the State of Washington, and who shall, in writing, apply for such certificate within one year thereafter.

Eighth: Every Certified Public Accountant, during the time he continues the practice of his profession shall, annually, on such date as the Board of Accountancy may determine pay to the secretary of said Board of Accountancy, a fee of one dollar, in return for which payment he shall receive a renewal certificate for one year.

SEC. 3. Any citizen of the United States, or any person who has duly declared his intention of becoming such citizen, residing and doing business in the State of Washington, being over the age of twenty-five years and of good moral character, may apply to the State Board of Accountancy for examination under its rules, and for the issuance to him of a certificate of qualification to practice as a Certified Public Accountant; and upon the issuance and receipt of such certificate, and during the period of its existence, he shall be styled and known as a Certified Public Accountant, and no other person shall be permitted to assume and use such title, or to use any words, letters or figures, to indicate that the person using the same is a Certified Public Accountant, or expert of accounts.

SEC. 4. Any person violating the provisions of this act shall be deemed guilty of a misdemeanor, and upon conviction thereof before any court of competent jurisdiction, shall be punished by a fine in any sum not exceeding one hundred dollars.

SEC. 5. This act shall take effect from and after its passage and approval by the Governor.

March 12, 1903.

THE LAW—STATE OF NEW JERSEY.

Copy of an Act of the Legislature. Chapter 230, page 400, Laws of 1904. Approved by Gov. Franklin Murphy, April 5, 1904, creating New Jersey State Board of Public Accountants.

AN ACT TO REGULATE THE PRACTICE OF THE PROFESSION OF PUBLIC ACCOUNTANTS.

Be it enacted by the Senate and General Assembly of the State of New Jersey:

SECTION 1. Within sixty days after the passage of this act the Governor of the State of New Jersey shall appoint three persons, who shall be public accountants residing in the State of New Jersey, and who have been engaged in the practice of their profession for at least three years; the said three persons shall constitute the New Jersey State Board of Public Accountants, one of whom shall be appointed to hold office for one year, one shall be appointed to hold office for two years and one shall be appointed to hold office for three years.

SEC. 2. Upon the expiration of the term of each member, the Governor shall appoint his successor from among the certified public accountants of the State of New Jersey for a term of three years, in like manner as the previous appointments; each member shall hold over after the expiration of his term until his successor shall have been duly appointed and qualified.

SEC. 3. Any vacancy occurring in the membership of the State Board of Public Accountants shall be filled for the balance of the unexpired term in like manner; the members of the Board shall serve without compensation for their services, except as hereinafter provided.

SEC. 4. The members of the New Jersey State Board of Public Accountants shall, before entering upon the discharge of their duties, and within thirty days after their appointment, take and subscribe an oath before any officer authorized to administer oaths in the State, for the faithful performance of duty, and file the same with the Secretary of State; they shall annually elect from their Board a president, a secretary and a treasurer; the offices of secretary and treasurer may, by vote of the Board, be consolidated and held by one person; the officers shall receive such compensation for their services as may be determined by the Board, as hereinafter provided.

SEC. 5. The Board may adopt all necessary rules, regulations and by-laws to govern its proceedings, not inconsistent with the laws of this State or of the United States; the Board may adopt a seal, and the secretary shall have the care and custody thereof, and shall keep a record of all the proceedings of the Board, which shall be open to public examination.

SEC. 6. Two members of the Board shall constitute a quorum.

SEC. 7. The Board may adopt rules and regulations for the examination and registration of applicants desiring to practice the profession of public accountant, in accordance with the provisions of this act, and may amend, modify and repeal such regulations from time to time.

SEC. 8. The Board shall immediately, upon the election of each officer thereof, and upon the adoption, repeal or modification of the rules and regulations for the registration of applicants, file with the Secretary of State and publish in at least one daily newspaper in the State the name,

and post office address of each officer and a copy of such rules and regulations or the amendment, repeal or modification thereof.

SEC. 9. Provision shall be made by the State Board of Public Accountants for holding examinations at least twice a year of applicants, for registration to practice the profession of public accountant, if there shall be any such applicants; and the Governor, upon the recommendation of the State Board of Public Accountants, shall have the power to issue to any citizen of the United States, residing in or having a place for the regular transaction of business in the State of New Jersey, who shall be over the age of twenty-one years and of good moral character, a certificate authorizing him to practice as a public expert accountant, and such person shall be styled and known as a "certified public accountant."

SEC. 10. The Governor may, in his discretion, on the written recommendation of the Board, waive the examination of any person possessing the qualifications mentioned in section nine of this act, and issue to said person a certificate; provided he shall have practiced for more than three years before the passage of this act as a public accountant in this State, and shall apply in writing for such certificate within one year after passage of this act.

SEC. 11. The Board of Examiners may, in their discretion, waive the examination of any person who shall at the time of his application reside or have a place for the regular transaction of business in the State, and shall hold a valid and unrevoked certificate as a certified public accountant, issued by or under the authority of any State or Territory; provided, that the State issuing the original certificate grants similar privileges to the certified public accountants of this State.

SEC. 12. Before any such certificate shall be issued to any applicant therefor, he shall pay to the treasurer of the State Board of Public Accountants the sum of $25.

SEC. 13. The Governor may, upon recommendation of the Board, revoke any certificate theretofore issued by him; provided, that said recommendation be made after a hearing thereon before said Board, due notice of which shall be given to the holder thereof, and for sufficient cause shown in said hearing.

SEC. 14. If any person shall advertise or put out any sign, card or drawing designating himself as a certified public accountant, or shall assume the title of certified public accountant, or use the abbreviation "C. P. A." or any other words, letters and figures, to indicate that the person using the same is such certified public accountant, withoutt a certificate thereof, in accordance with the provisions of this act, he shall be guilty of a misdemeanor, and, upon conviction, shall be fined not less than $50 and not more than $500 for each offence, or shall be imprisioned in the county jail for a period of not less than one month.

SEC. 15. The expenses of said Board of the officers thereof, and of the examination held by said Board, and of any other matter in connec-

tion with the provisions of this act, shall be paid from the registration fees above provided for, and not otherwise; in no case shall such expenses or any part thereof be paid by the State of New Jersey, or be a charge against said State.

SEC. 16. An itemized account of all receipts and expenditures of said Board shall be kept by its treasurer and a detailed report thereof each year, ending with the 30th day of September, duly verified by the affidavit of the said treasurer, shall be filed with the Secretary of State within sixty days thereafter. Said Secretary of State shall be paid such fees therefor as are now paid for filing similar papers in his office.

SEC. 17. The members of the Board shall be entitled to reimbursement for their traveling and hotel expenses incurred in pursuance of their duties, not to exceed $5 per diem for each member of said Board, and the officers of said Board shall receive such annual compensation as shall be provided by the Board by resolution adopted by it at a regular meeting; no member of the Board shall be held personally responsible for any portion of the salaries of the aforesaid officers, should the fees for certificates received by said Board be insufficient to meet the same.

SEC. 18. Any surplus of fees in the treasury of said Board over and above the sum of $500, after the payments of the expenses of the members of the Board, and the salaries of the officers thereof, as herein provided for, shall be paid annually to the treasurer of the State of New Jersey, and shall thereafter be paid out only on the warrant and authority of the comptroller of the State of New Jersey.

SEC. 19. This act shall take effect immediately.

MICHIGAN C. P. A. LAW.

AN ACT TO ESTABLISH A BOARD OF ACCOUNTANCY, TO PROVIDE FOR THE GRANTING OF CERTIFICATES TO THOSE PUBLIC ACCOUNTANTS WHO QUALIFY UNDER THE PROVISIONS OF THIS ACT AND TO PROVIDE A PENALTY FOR VIOLATIONS THEREOF.

The People of the State of Michigan enact:

SECTION 1. Any person, residing or having a place for the regular transaction of business in the State of Michigan, being over the age of twenty-one years, of good moral character, who shall have received from the Governor of the State of Michigan a certificate of his qualifications to practice as a public accountant, as hereinafter provided, shall be styled and known as a certified public accountant, and no other person shall assume such title or use the abbreviation C. P. A., or any other words, letters, or figures, to indicate that the person using the same is such certified public accountant.

SEC. 2. Within thirty days after this act takes effect, the Governor shall appoint three persons to constitute and serve as a Board of Accountancy. Two members of this board first appointed shall be selected by the Governor from a list of names of public accountants who have been practicing in the State of Michigan for a period of at least three years, one of whom shall be appointed for a term ending January first, nineteen hundred eight, and one for a term ending January first, nineteen hundred ten, and upon the expiration of each of said terms and of each succeeding term, a member shall be appointed for a term of three years. *Provided,* that the successors to the first two members who are public accountants shall be selected from the holders of certificates under this act. One member of this board shall be a practicing attorney, in good standing in the courts of the State of Michigan, appointed in the first instance for a term ending January first, nineteen hundred nine, and upon the expiration of said term, and of any succeeding term, a member shall be appointed for a term of three years, such successors to be practicing attorneys in good standing, as hereinbefore mentioned. Any vacancies that may occur from any cause shall be filled by the Governor for the unexpired term under the same conditions that govern regular appointments.

SEC. 3. The Board of Accountancy shall at its first meeting, formulate rules for its own guidance, not inconsistent with the provisions of this act, a copy of which shall be sent to all public accountants in the State. Satisfactory evidence of good moral character shall be required from each applicant for this certificate. Examinations of persons applying for certificates under this act shall be held at least twice each year at such time and places as applications may warrant. The time and place for holding the examination shall be duly advertised at least three consecutive days in a daily newspaper published in Detroit, Grand Rapids, Saginaw, Marquette and Houghton, at least thirty days prior to the date for such examinations, and notice of the same shall be mailed to all holders of certificates under this act as well as applicants. The examination shall cover the following subjects: Theory of accounts, practical accounting, auditing and commercial laws as affecting accountancy. The fees for such examination shall be twenty-five dollars for each applicant, payable to the treasurer of the board at least ten days prior to the holding of the examination. The board may in its discretion, waive the examination of any applicant not later than the year nineteen hundred six, who in addition to the qualifications mentioned in scetion one, shall have been a practicing public accountant in this State for more than one year prior to the passage of this act. Each applicant for whom examination is waived, shall pay to the treasurer of the board the sum of twenty-five dollars, when recommended to the Governor for a certificate. The board shall maintain a register of the names and addresses of all persons receiving certificates under this act. The members of the board shall receive as compensation for their services ten dollars per day for the time actually spent and the necessary expenses incurred in the discharge of their duties as members of said board, *Provided, however,* That all

compensation for services and expenses shall not exceed the amounts received as fees from applicants. All bills for expenses and salaries shall be allowed in open meeting of the board and shall be paid from the fees received under the provisions of this act. All money received in excess of payments shall be paid into the State Treasury at the end of each year, and so much thereof as shall be necessary to meet the current expenses of said board shall be subject to the order thereof, if, in any year, the receipts of said board shall not be equal to its expenses. The board shall make an annual report to the Governor, containing a full account of its proceedings, and render an annual financial account to the Board of State Auditors.

SEC. 4. The Governor shall issue certificates to those persons who are recommended to him by the Board of Accountancy as having qualified under provisions of this act. The governor may revoke any certificate for sufficient cause, after written notice to the holder thereof, and a hearing thereon, and shall issue such notice whenever requested to by the board.

SEC. 5. The Board of Accountancy may, in its discretion, register the certificate of any certified public accountant who is the lawful holder of a C. P. A. certificate issued under the law of another state, and may issue to such certified public accountant a certificate of registration, which certificate shall entitle the holder to practice as such certified public accountant, and to use the abbreviation C. P. A. in this State: *Provided*, however, That such other state extends similar privileges to certified public accountants of this State. The regular fee of twenty-five dollars shall be charged for such certificate. Certificates of registration may be canceled in the same manner as section four provides for the revoking of certificates issued under this act.

SEC. 6. If any person shall hold himself out to the public as having received a certificate as provided in this act, or shall assume to practice as a certified public accountant or use the abbreviation C. P. A., or any other letters, words or figures to indicate that the person using the same is such certified public accountant, without having received such certificate or after the same shall have been revoked, he shall be deemed guilty of a misdemeanor, the penalty for which shall be a fine of not less than one hundred dollars nor more than five hundred dollars for each offense or imprisonment in the county jail for a period not exceeding six months.

SEC. 7. Every person having been granted a certificate under the provisions of this act, shall give a five thousand dollar bond to the Secretary of State before entering upon his duties, for the faithful performance of the same.

May 4, 1905.

STATE OF FLORIDA.

Chapter 5425.

(No. 54.)

AN ACT TO CREATE A STATE BOARD OF ACCOUNTANCY AND TO PRESCRIBE ITS POWERS AND DUTIES, TO PROVIDE FOR THE EXAMINATION OF QUALIFIED ACCOUNTANTS AND TO PROVIDE A PENALTY FOR VIOLATION OF THIS ACT.

Be it enacted by the Legislature of the State of Florida:

SECTION 1. That any person residing in the State of Florida, being over the age of twenty-one years, of good moral character, being a graduate of a high school with a four years' course of study, or having had an equivalent education, who shall have received from the State Board of Accountancy a certificate of his qualifications to practice as a public expert accountant, as hereinbefore provided, shall be styled and known as a certified public accountant; and no other person shall assume such a title, or use the abbreviation "C. P. A.," or any words or letters to indicate that the person using the same is such certified public accountant.

SEC. 2. The Governor shall within thirty days after the passage and approval of this act, appoint three persons residing in this State, who shall be skilled in the practice of accounting, to constitute and serve as a State Board of Accountancy. The members of such Board shall hold office for three years and until their successors have been appointed and have qualified, except that one of the members of he State Board of Accountancy, first to be appointed under this act shall hold office for one year, and one for two years. Upon expiration of each of said terms, an examiner shall be appointed for the term of three years, and after the years one thousand nine hundred and six the examiners appointed shall be holders of certificates issued under this act.

SEC. 3. The State Board of Accountancy shall make rules which shall be applied uniformly in all examinations held under this act. Said examinations shall be held at least once each year at some accessible place and notice of the time and place of each such examination shall be advertised in three or more papers whose circulation is most general throughout the State. The examinations shall be in "Theory of Accounts," "Practical Accounting," "Auditing," and "Commercial Law as affecting Accountancy."

SEC. 4. The State Board of Accountancy shall charge for the examination and certificate provided for in this act, a fee of twenty-five dollars to meet the expenses of such examination. The fee shall be payable by the applicant at the time of filing his application. The State Board of Accountancy shall report annually to the Governor the names of all persons receiving certificates, or whose certificates are registered, or revoked; and the receipts and expenses under this act. Out of the funds collected under this act shall be paid the actual expenses of the State Board of Accountancy in conducting such examinations and issuing such

certificates, and an amount not exceeding ten dollars a day to each member of said Board for the time actually expended in the pursuance of such duties imposed upon them by this act. Provided, that no expense incurred under this act shall be a charge upon the funds of the State, and provided further, that any funds remaining in the treasury of the Board shall be reported annually to the State Comptroller and paid in to the State Treasury for its benefit of the school fund. Provided, that the charge of each such Certified Public Accountant shall in no case exceed ten dollars per day.

SEC. 5. The State Board of Accountancy may, in its discretion, register the certificate of any Certified Public Accountant who is a lawful holder of a certified public accountant's certificate issued under the law of another State, and may issue to such Certified Public Accountant a certificate of registration, which certificate shall entitle the holder to practice as such Certified Public Accountant and to use the abbreviation "C. P. A." in this State; provided that the State issuing the original certificate grants similar privileges to the Certified Public Accountants of this State. The State Board of Accountancy may charge for such certificate of registration such fee as may be necessary to meet the expenses of such registration.

SEC. 6. The State Board of Accountancy may at its discretion, waive the examination of any person possessing the qualifications mentioned in Section 1 of this act who shall have for more than three years before the passage of this act been practicing in this State on his own account as a public accountant, who shall apply in writing to said Board for such certificate within one year after the passage of this act. The applicant shall pay for such fee as the board in its discretion shall deem fit.

SEC. 7. The State Board of Accountancy may revoke any certificate issued under this act, or may cancel the registration of any certificate registered under this act, for unprofessional cause, provided, that written notice shall have been mailed to the holder of such certificate twenty days before any hearing thereon, stating the cause for any such contemplated action, and appointing a day for a full hearing thereon by the State Board of Accountancy.

SEC. 8. If any person shall represent himself to the public as having received a certificate as provided in this act, or shall assume to practice as a Certified Public Accountant, or use the abbreviation "C. P. A.," or any similar words or letters to indicate that the person using the same is a Certified Public Accountant, without holding a valid certificate issued under the provisions of this act, he shall be deemed guilty of a misdemeanor, and upon conviction thereof, shall be fined a sum not exceeding two hundred ($200) dollars for each conviction, or shall be imprisoned not exceeding six months.

SEC. 9. In every case of conviction under this act, whether by plea of guilty or otherwise, the costs of prosecution shall be taxed against the defendant.

SEC. 10. This act shall become a law immediately upon its approval by the governor.

Approved June 5, 1905.

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS.

Chapter 1370.

AN ACT TO CREATE A STATE BOARD OF ACCOUNTANCY AND TO REGULATE THE BUSINESS OF CERTIFIED PUBLIC ACCOUNTANTS.

It is enacted by the General Assembly as follows:

SECTION 1. It shall be unlawful for any person to practice as a certified public accountant in this state unless he shall have first obtained a certificate of registration as provided in this act. Any citizen of the United States, or person who has duly declared his intention of becoming such citizen, having a place for the regular transaction of business as a professional accountant in this state, being over the age of twenty-one years, of good moral character, who shall have received as hereinafter provided in this act a certificate of his qualifications to practice as a certified public accountant, shall be deemed and known as a certified public accountant under the provisions of this act; and no person, unless he has received a certificate under the provisions of this act, shall advertise or in any manner use such name of certified public accountant, or the abbreviation "C. P. A.," or any other words or letters, or any imitation thereof, tending to indicate that the persons so advertising or using the same is such certified public accountant.

SEC. 2. A board of examiners, to be known as the state board of accountancy, is hereby created to carry out the purposes and enforce the provisions of this act. The members of said board, when appointed, shall be citizens of this state and skilled in the practice of accounting, and when appointed shall have been actively engaged therein on their own account in this state for not less than the three years next preceding the date of their appointment. At the present session of the general assembly the governor, with the advice and consent of the senate, shall appoint one member of said board to hold office until the first day of February, A. D. 1907; one member of said board to hold office until the first day of February, A. D. 1908; and one member of said board to hold office until the first day of February, A. D. 1909. At the January session of the general assembly, A. D. 1907, and at the January session of the general assembly in every year thereafter, the governor, with the advice and consent of the senate, shall appoint one member of said board; who when appointed shall be a certified public accountant, to hold office until the first day of February in the third year after his appointment, to succeed the member of such board whose term will next expire: *Provided*, that any vacancy which may occur in said board when the senate is not in session shall be filled by the governor until the next session thereof, when

he shall, with the advice and consent of the senate, appoint some person, who when appointed shall be a certified public accountant, to fill such vacancy for the remainder of the term. The members of said board may be removed by the governor, for such cause as he shall deem sufficient and shall express in the order of removal. Each member of said board, unless he resigns or is removed, shall hold office until the appointment and qualification of his successor. Each member of said board shall give a bond in the sum of one thousand dollars, with surety or sureties, to be approved by the general treasurer, conditioned for the faithful performance of his duties, and shall take the oath provided by law for public officers.

SEC. 3. Said state board of accountancy shall organize, as soon as may be after their appointment and qualification, by electing one of their members chairman and one of their members secretary and one of their members treasurer (except that said board may elect the same member secretary and treasurer; such organization shall continue until the appointment and qualification of any new member of said board of examiners, except in case of a vacancy in any office, when such vacancy may be filled forthwith. The secretary of said board shall keep a record of all its proceedings, issue all notices and certificates, and attest all such papers and orders as said board shall direct; and the secretary shall perform such other duties as shall be designated by said board.

SEC. 4. Said board shall have power to adopt rules and regulations for conducting examinations to be held under this act. Said examinations shall be held at least once a year in the city of Providence, and elsewhere in the discretion of said board. Such examinations shall be held upon the theory of accounts, practical accounting, auditing, commercial law as affecting accountancy, and such other subjects as said board may determine. Such board shall issue to each applicant passing a satisfactory examination a certificate entitling such person to practice in this state, as a certified public accountant, until such certificate shall be revoked as hereinafter provided in this act. Said board shall keep a register in which shall be entered the names of all the persons to whom certificates are issued under this act, and said register shall be open at all times to public inspection at the office of the secretary of said board.

SEC. 5. Said board shall charge for the examination and certificate provided for in this act a fee of twenty-five dollars, payable by said applicant at the time of filing his application. In case of the failure on part of any applicant to attend the examination at the date specified by said board or to pass a satisfactory examination, said applicant may, at the discretion of said board, appear at the next annual examination of said board for re-examination upon the payment of the further sum of fifteen dollars.

SEC. 6. The actual expenses of said board shall be paid out of the funds received from applicants for examinations: *Provided,* that in no event shall such expenses be a charge against the state. No member of said board shall receive any compensation for his services, but he shall

be entitled to receive from the funds in the hands of said board his actual expenses incurred in the discharge of his duties under this act.

SEC. 7. Said board shall present annually to the general assembly in the month of January a detailed statement of the receipts and disbursements of said board during the preceding year, with a statement of its acts and proceedings, and such recommendation as said board may deem proper. Any moneys in the hands of the treasurer of said board at the time of making such report shall then be paid over to the general treasurer.

SEC. 8. Said board may, in its discretion, register the certificate of any certified public accountant who is the lawful holder of such certificate issued under the laws of any other state, territory, District of Columbia, or government, and may issue to such certified public accountant a certificate of registration, which certificate shall entitle the holder thereof to practice as such certified public accountant under the provisions of this act in this state: *Provided,* that such other state, territory, government or the District of Columbia extends similar privileges to certified public accountants of this state. Said board shall charge for such certificate of registration a fee of fifteen dollars.

SEC. 9. Said board, by a majority vote thereof, may, in its discretion, waive the examination of any person possessing the qualifications mentioned in this act who, for more than three years preceding the passage of this act, shall have practiced in this state on his own account as a public accountant, and who shall apply in writing to said board for such certificate within six months after the passage of this act. Said board may charge for such certificate of registration a fee not exceeding fifteen dollars. Said board shall have power to revoke any certificate of registration, granted by it under this act, for gross incompetency, for unprofessional conduct, or for other cause sufficient in the judgment of said board: *Provided,* that before any certificate shall be so revoked the holder thereof shall have notice in writing of the charge or charges against him and shall have reasonable opportunity to be heard in his defense. Any person whose certificate has been so revoked may apply to have the same reissued, and the same shall be issued to him upon a satisfactory showing that such disqualification has ceased. Said board shall have power by its chairman to summon any person to appear as a witness and testify at any hearing by said board under the provisions of this act, and to examine and to administer oaths to such witnesses. Any person aggrieved by any decision or ruling of said board may, within thirty days, exclusive of Sundays and holidays, after receiving notice of said decision, appeal therefrom to the Superior Court sitting at Providence, and said Superior Court shall, as soon as may be, hear and determine said appeal. following the course of equity, and subject to all the rights of parties in such cases.

SEC. 10. Nothing in this act shall prohibit any person from serving as a student, clerk, or employee in the office of any certified public

accountant: *Provided,* such student, clerk, or employee shall first file with the secretary of said board a statement in writing, showing the name and place of business of his employer, and the date of the beginning of such employment, and the full name, age, and residence, of such student, clerk, or employee. So such student, clerk, or employee, shall be authorized to certify accounts or to advertise or hold himself out to the public as a certified public accountant.

SEC. 11. Any person practicing the occupation of certified public accountant, or using the abbreviation "C. P. A.," or similar words or letters indicating that the person using the same is a certified public accountant, or representing himself to the public as having received the certificate provided in this act, without having received such certificate as provided in this act, or any person so representing himself as having received such certificate or practicing as aforesaid after his certificate has been revoked as provided in this act, shall be deemed guilty of a misdemeanor, and upon conviction thereof shall be punished by a fine not exceeding two hundred dollars for each offense, and upon a subsequent conviction shall be punished by a fine of not less than two hundred dollars nor more than five hundred dollars, or by punishment not exceeding six months, or both, in the discretion of the Court.

SEC. 12. This act shall take effect upon its passage.
April 20, 1906.

STATE OF UTAH.

Chapter 86.

AN ACT TO CREATE A STATE BOARD OF ACCOUNTANCY AND PRESCRIBE ITS DUTIES AND POWERS; TO PROVIDE FOR THE EXAMINATION AND ISSUANCE OF CERTIFICATES TO QUALIFIED APPLICANTS, WITH THE DESIGNATION OF CERTIFIED PUBLIC ACCOUNTANT, AND TO PROVIDE THE GRADE OF PENALTY FOR VIOLATION OF THE PROVISIONS HEREOF.

Be it enacted by the Legislature of the State of Utah:

SECTION 1. ***Board created.—Shall take oath of office.—Term.—Vacancies.***—Within sixty days after the passage of this act the governor shall appoint three persons, at least two of whom shall be competent and skilled public accountants, who shall have been in practice as such in this State for not less than three years, to constitute and serve as a State Board of Accountancy. The members of such board shall, within thirty days after their appointment, take and subscribe to the oath of office as prescribed by the laws of the State of Utah, and file the same with the Secretary of State. They shall hold office for four years and until their successors

are appointed and qualified; save and except that one of the members of the board first to be appointed under this act shall hold office for two years, and two for four years. Upon the expiration of each of said terms, members sufficient to fill the board shall be appointed by the Governor, for the term of four years and until their successors are appointed and qualified; and after the year one thousand nine hundred and ten, the members of the board shall be appointed from the holders of certificates issued under this act. Any vacancy that may occur, from any cause, shall be filled by the Governor for the unexpired term.

SEC. 2. *Location of Office.—Duties of Board.*—The State Board of Accountancy shall have its office in the City and county of Salt Lake, and its powers and duties shall be as follows:

1. To formulate rules for the government of the board and for the examination of and granting of certificates of qualification to persons applying therefor;

2. To hold written examinations of applicants for such certificates, at least annually, at such places as circumstances and applications may warrant;

3. To grant certificates of qualifications to such applicants as may, upon the examination, be found qualified in "theory of accounts," "practical accounting," "auditing," and "commercial law," as affecting accountancy, to practice as certified public accountants;

4. To charge and collect from all applicants a fee, of twenty-five dollars, to meet the expenses of examination, issuance of certificates and conducting its office; provided that all such expenses, including not exceeding ten dollars per day for each member while attending a session of the board or conducting examinations, must be paid from the current receipts, and no portion shall ever be paid from the State Treasury.

5. To require the annual renewal of all such certificates, and to collect therefor a renewal fee of not exceeding five dollars;

6. To revoke for cause any such certificate, after written notice to the holder, and a hearing being had thereon;

7. To report annually to the Governor, on or before the first day of December, all such certificates issued or renewed, together with a detailed statement of receipts and disbursements; provided, that any balance remaining in excess of the expenses incurred may be retained by the board and used in defraying the expenses thereof:

8. The board may, in its discretion, under regulations provided by its rules, waive the examination of applicants possessing the qualifications mentioned in Section 3, who shall have been for more than two years prior to the passage of this act practicing in this state as public accountants on their own account, and who shall, in writing, apply for such certificate within one year thereafter.

SEC. 3. *Qualifications.—Certificate.*—Any citizen of the United States, or any person who has duly declared his intention of becoming such

citizen, residing and doing business as a public accountant in this state, being over the age of twenty-one years and good moral character, may apply to the State Board of Accountancy for examination under its rules, and if found qualified the board shall issue to him a certificate of qualification to practice as a certified accountant and upon the issuance and receipt of such certificate, and during the period of its existence, or of any renewal thereof, he shall be styled and known as a certified public accountant or expert of accounts, and no other person shall be permitted to assume the use of such title or to use any words, letters or figures to indicate that the person using the same is a certified public accountant.

SEC. 4. *Penalty.*—If any person shall represent himself to the public as having received a certificate as provided in this act, or shall assume to practice as a certified public accountant, or using the abbreviation "C. P. A." or any similar words or letters to indicate that the person using the same is a certified public accountant, without having received such C. P. A. certificate as provided in this act, or if any person having received any such certificate and having thereafter lost it by revocation or by failure to renew the same, as herein provided, shall continue to practice as a certified public accountant, he shall be deemed guilty of a misdemeanor, and upon conviction thereof shall be fined a sum not exceeding two hundred dollars ($200) for each such offense.

SEC. 5. This act shall take effect upon approval.

Approved this 14th day of March, 1907.

STATE OF COLORADO.

AN ACT TO CREATE A STATE BOARD OF ACCOUNTANCY AND TO REGULATE PUBLIC ACCOUNTANTS.

Be it enacted by the General Assembly of the State of Colorado:

SECTION 1. Within thirty days after the passage of this act, the Governor shall appoint three persons to constitute a State Board of Accountancy. The members of said Board shall be persons skilled in the knowledge and practice of accounting and actively engaged as professional accountants within the State of Colorado.

SEC. 2. The members of such board shall hold office for three years or until their successors are appointed and have qualified, except that of the members first appointed under this act, one shall hold office for one year, one for two years and one for three years. The term of office of each to be designated by the Governor in his appointment. Upon the expiration of each of said terms a member shall be apointed by the Governor for the term of three years, and after the thirty-first day of December, 1907, the members of said board shall be appointed from among the holders of certificates issued under this act.

SEC. 3. The board shall determine the qualifications of persons

applying for certificates under this act, and make rules for the examination of applicants and the issue of certificates herein provided for.

SEC. 4. The board shall organize by the election of one of its members as president, one member as secretary and one member as treasurer; provided, however, that the office of secretary and treasurer may be held by one person.

SEC. 5. The treasurer shall give bond to the state in such sum as may be determined by the board.

SEC. 6. The board shall keep a complete record of all its proceedings, and shall annually submit a full report to the Governor.

SEC. 7. The board shall grant certificates of qualification to such applicants as may, upon examination, be qualified in "theoretical" and "practical" accounting, "commercial law" as affecting accountancy, and in such other subjects as the board may deem advisable.

A majority of the board shall constitute a quorum, and the vote of two members shall be considered as the action of the board.

SEC. 8. Any citizen of the United States, or person who has duly declared his intention of becoming such citizen, over the age of twenty-one years, of good moral character, being a graduate of a high school or having had an equivalent education, who has had at least three years' experience in the practice of accounting, and has passed a satisfactory examination as herein provided, shall be entitled to a certificate as public accountant, and shall be styled and known as a certified public accountant.

SEC. 9. The examinations shall be held as often as may be necessary in the opinion of the board, and at such times and places as it may designate, but not less frequently than once in each calendar year.

SEC. 10. The Board shall charge for each examination and certificate provided for in this act, a fee of twenty-five dollars ($25). This fee shall be payable to the treasurer of the board by the applicant at the time of filing of application. In no case shall the examination fee be refunded, but said applicant may be re-examined within eighteen months from the date of his application without payment of an additional fee.

SEC. 11. The members of the board to be appointed under the provisions of this act shall be paid for the time actually expended in the pursuance of the duties imposed upon them by this act, an amount not exceeding ten dollars ($10) per day, and they shall also be entitled to necessary traveling expenses.

SEC. 12. From the fees collected, the board shall pay all expenses incident to the examinations to be held under this act, the expenses of preparing and issuing certificates, the traveling expenses of examiners, and their compensation while performing their duties under this act, provided, that no expense incurred under this act shall be a charge against the state. Any surplus arising shall at the end of each year be deposited

by the treasurer of the board, with the state treasurer to the credit of the general fund.

SEC. 13. Any person who files his application within six months after the organization of the board, and is at the time of filing said application a public accountant and has practiced as such for at least three years next preceding the date of his application, the last year of which has been in the State of Colorado, shall file with his application proof of said facts. The board shall consider said proofs and such other evidence as may be procured, and if it be satisfied that the statements contained in said application and proofs are true, and that the applicant is of good moral character, the board shall accept said proofs and evidence in lieu of an examination, and shall grant said applicant a certificate.

SEC. 14. Any citizen of the United States or person who has declared his intention of becoming such citizen, over twenty-one (21) years of age, of good moral character, and who has complied with the rules and regulations of the Board pertaining to such cases, and who holds a valid and unrevoked certificate as a certified public accountant, or the equivalent thereof, issued by or under the authority of any other State of the United States, or of the United States, or the District of Columbia, or any Territory of the United States, or by or under the authority of a foreign nation, when the board shall be satisfied that their standards and requirements for a certificate as a certified public accountant are substantially equivalent to those established by this act, may at the discretion of the board receive a certificate as a certified public accountant, and such person may thereafter practice as a certified public accountant and assume and use the name, title and style of "Certified Public Accountant" or any abbreviation or abbreviations thereof, in the State of Colorado, provided, however, that such other state or nation extends similar privileges to Certified Public Accountants of the State of Colorado.

SEC. 15. The board may revoke any certificate issued under this act for sufficient cause, provided that written notice shall have been mailed to the holder of such certificate at his last known address at least twenty days before any hearing thereon, stating the cause of such contemplated action, and appointing a time for a hearing thereon by the Board; and, provided further, that no certificate issued under this act shall be revoked until such hearing shall have been had. At all such hearings the attorney general of the state or one of his assistants designated by him shall sit with the board with all the powers and pay of a member thereof.

SEC. 16. If any person shall represent himself as having received a certificate as provided in thas act, or shall practice as a certified public accountant, or use the abbreviation "C. P. A." or any similar words or letters to indicate that the person using the same is qualified to practice in this state as a certified public accountant, without having received such certificate as provided for by this act, or if any person having received a certificate as provided for in this act, and having thereafter

lost such certificate by revocation as herein provided, shall practice as a certified public accountant, he shall be deemed guilty of a misdemeanor, and upon conviction thereof shall be fined not less than fifty dollars ($50) and not exceeding two hundred dollars ($200) for each offense.

SEC. 17. Nothing herein contained shall be construed to restrict or limit the power or authority of any state, county, or municipal officer or appointee engaged in or upon the examination of the accounts of any public officer, his employees or appointees.

SEC. 18. In the opinion of the General Assembly an emergency exists; therefore, this act shall take effect and be in force from and after its passage.

R. G. BRECKENRIDGE,
Speaker of the House of Representatives.
E. R. HARPER,
President of the Senate.
HENRY A. BUCHTEL,
Governor of the State of Colorado.

Approved March 27, 1907, at 3:33 p. m.

STATE OF CONNECTICUT.

Copy of an act of the legislature. Chapter 202, page 753, laws of 1907. Approved by Gov. Rollin S. Woodruff, July 11, 1907, creating Connecticut State Board of Accountancy.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

SECTION 1. There is hereby established a state board of accountancy, to consist of three members. Within thirty days after the passage of this act the governor shall appoint as members of said board, two persons skilled in the practice of accounting and one attorney-at-law, one for a term ending January 1, 1908, one for a term ending January 1, 1909, and one for a term ending January 1, 1910, and thereafter as said terms of office respectively expire, and triennially thereafter, the governor shall appoint, from the holders of the certificate hereinafter provided for in this act, one member of said board to serve for a term of three years and until his successor is appointed and qualified. The governor shall have power to fill any vacancy occurring in the membership of said board, and may remove any member, for cause, after due notice and hearing. The members of said board, before entering upon the discharge of their duties, shall take an oath before some proper authority for the faithful performance of said duties.

SEC. 2. At the first meeting of said board, which shall be held at the capitol in Hartford, on the second Wednesday in August, 1907, and at the annual meeting, which shall be held on the second Wednesday in June in

each year thereafter, the members shall elect from their number a president, a secretary, and a treasurer; the offices of secretary and treasurer may be held by the same person. Said board may adopt a seal, and may adopt such by-laws, rules, and regulations for the transaction of the business of the board and the government of its affairs, not inconsistent with the laws of this state and of the United States, as it may deem expedient and may amend, modify or repeal any such by-law, rule or regulation. Two members shall constitute a quorum for the transaction of business, and special meetings shall be called upon request of any two members. The members of the board shall receive for their services ten dollars per day and their necessary expenses while engaged in the discharge of their official duties, such payments to be made by the treasurer of the board from the fees hereinafter provided. During the month of January of each year the treasurer shall file with the treasurer of the state an itemized account of the receipts and expenditures of the board, and shall pay to the state any unexpended balance in his hands not required for the proper transaction of the business of the board.

SEC. 3. At a meeting of said board, to be held on or before October 1, 1907, at the annual meeting hereinbefore provided for, and at such special meetings as the board shall deem necessary to hold for the purpose, public notice of which shall be given at least fifteen days prior to any such meeting in such manner as the board shall determine, said board shall examine all eligible applicants for a certificate as a certified public accountant. Every eligible applicant shall be examined in the theory of accounts, practical accounting, auditing, commercial law, and such other related subjects as the board shall deem necessary. Any person shall be eligible to take such examination who is a citizen of the United States, residing or having a place for the regular transaction of business in the State of Connecticut, who is over twenty-one years of age, of good moral character, and a graduate of a high school with a four years' course, or, in the discretion of the board, has had an equivalent education, who shall have been regularly employed as a bookkeeper for a period of not less than two years, and who shall have had such training and experience in the art of public accounting as the board, by its rules and regulations, shall prescribe. All applications for examination shall be in writing and upon such forms as the board shall provide, and shall be accompanied by a fee of twenty-five dollars, to be paid at the time the application is filed.

SEC. 4. Whenever any person shall have passed the examination herein prescribed the president of the board shall certify such fact to the governor, and the governor shall thereupon sign and issue to such successful applicant a certificate prepared by the board, in which the applicant shall be given the right to be known and designated as a certified public accountant, and to use said title in full or the initials "C. P. A." as said certificate shall prescribe.

SEC. 5. Any person holding a certificate as a certified public account-

ant granted under the laws of another state, and who has had at least five years' experience as a public accountant, and who has practiced in this state on his own account for one year or more, providing the state issuing such original certificate grants a similar privilege to the certified public accountants of this state, and any person twenty-one years of age or over, of good moral character, applying for a certificate as a certified public accountant within ninety days from and after the passage of this act, and who shall, by affidavit or otherwise, show to the satisfaction of the board that he has had at least two years' instruction in the office of or by a reputable accountant in active practice in this state, and has been engaged in the practice of public accountancy in this state for at least one year, or has had such other experience as said board shall find to be equivalent thereto shall upon the payment to the board of a fee of ten dollars, and upon the recommendation of the board, receive from the governor the certificate as a certified public accountant provided for in this act, without an examination.

SEC. 6. Any person who shall advertise or issue any sign, card, or any other indication designating himself as a certified public accountant, or who shall assume the title of certified public accountant, or use the abbreviation "C. P. A." or any other words, letters or figures to indicate or represent that he is a certified public accountant, without having received a certificate in accordance with the provisions of this act, or who shall issue any such sign, card, or other indication, or assume such title or abbreviation after any certificate authorizing such use by him has been revoked, shall be deemed guilty of a misdemeanor, and upon conviction thereof shall be fined not more than five hundred dollars.

Sec. 7. This act shall take effect from its passage.

STATE OF GEORGIA.

AN ACT TO ESTABLISH A BOARD FOR THE EXAMINATION OF ACCOUNTANTS AND TO PROVIDE FOR THE GRANTING OF CERTIFICATES TO ACCOUNTANTS AND TO PROVIDE A PUNISHMENT FOR THE VIOLATION OF THIS ACT.

SECTION 1. Be it enacted, by the senate and house of representatives of the Commonwealth of Georgia in general assembly met, and it is hereby enacted by the authority of the same. That any citizen of the United States residing and having an office for the regular transaction of business in the State of Georgia, being over the age of twenty-one years, and of good moral character, and who will have received from the Governor of the State of Georgia a certificate of his qualification to practice as a public expert accountant as hereinafter provided, shall be designated and known as a certified public accountant, and no other person shall assume such title or use the abbreviation C. P. A. or any other words, letters, or figures to indicate that the person using the same is such certi-

fied public accountant. Every person holding such certificate and every co-partnership of accountants, every member of which shall hold such certificate may assume and use the title of certified public accountant or the abbreviation thereof C. P. A., provided that no other person or co-partnership shall use such title or abbreviation, or other words, letters, or figures, to indicate that the person or co-partnership using the same is such certified public accountant.

SEC. 2. The governor of the State of Georgia shall appoint a board of three examiners for the examination of persons applying for certification under this act. Two of said examiners shall be public accountants who shall have been in practice for at least five years, one of whom shall be appointed for the term of two years, and one for the term of three years, and upon the expiration of each of said terms an examiner shall be appointed for the term of three years and after the year one thousand nine hundred and eight, these two examiners shall be certified public accountants. The other examiner shall be a practicing attorney in good standing in any of the courts of the State of Georgia, who shall be appointed for the term of two years, and upon the expiration of said term, a successor shall be appointed for the term of three years. The examination for certificates shall be based upon an examination in theory of accounts, practical accounting, auditing, commercial arithmetic, and commercial law. Said examinations shall take place twice a year in the City of Atlanta, during the months of May and November of each year, under such rules and regulations as may be adopted by the board. The fees provided by this act shall be twenty-five dollars for each applicant, from which shall be paid the expenses incident to each examination, including stationery, clerk hire, and traveling expenses of the examining board. The results of such examinations shall be certified to the governor, and filed in the office of the secretary of state, and kept for reference and inspection for a period of not less than five years, and the governor to issue the certificate.

SEC. 3. The governor of the State of Georgia may revoke any such certificate for sufficient cause upon the recommendation of the board of examiners, who shall give written notice to the holder thereof, and after he has had a hearing thereon.

SEC. 4. The board of examiners may in its discretion waive the examination of any person who shall have been for the three years immediately preceding the passage of this act practicing in the State of Georgia or a sister state as a public accountant, who shall apply in writing for such certificate within three months after the passage of this act.

SEC. 5. If any person shall hold himself out as having received the certificate provided for in this act or shall assume to practice thereunder as a certified public accountant or use the initials C. P. A. without having received such certificate, or after the same shall have been revoked, he shall be deemed guilty of misdemeanor, and upon conviction thereof, shall be sentenced to pay a fine not exceeding five hundred dollars, nor less than two hundred dollars.

C. P. A. Laws.

STATE OF LOUISIANA.

Senate Bill No. 36.

AN ACT TO REGULATE THE PRACTICE OF PUBLIC ACCOUNTING BY ESTABLISHING A STATE BOARD OF ACCOUNTANTS, FIXING ITS FEES AND EMOLUMENTS; TO PROHIBIT THE UNLAWFUL USE OF WORDS, LETTERS, OR OTHER MEANS OF IDENTIFICATION, BY UNAUTHORIZED PERSONS, AS CERTIFIED PUBLIC ACCOUNTANTS UNDER THIS ACT AND TO PROVIDE PENALTIES FOR THE VIOLATION OF ITS PROVISIONS.

SECTION 1. Be it enacted by the general assembly of the State of Louisiana, that any citizen of the United States, residing or having a place for the regular transaction of business in the State of Louisiana, being over the age of twenty-one years, of good moral character, and who shall have received from the Louisiana State Board of Accountants a certificate of his qualifications to practice as an expert public accountant, as hereinafter provided, shall be styled and known as a certified public accountant, and it shall be unlawful for any other person or persons to assume such title or use any letters, abbreviations or words to indicate that the one using same is a certified public accountant.

SEC. 2. Be it further enacted, etc., that within sixty (60) days after the passage of this act, the Governor of the State of Louisiana, shall appoint three persons who shall be skilled in the practice of accounting and actively engaged therein in this state, one for a term of two (2) years, one for a term of four (4) years, and one for a term of six (6) years; said members to establish and constitute the Louisiana State Board of Accountants. A member of said board shall be appointed bi-annually thereafter by the governor to serve a term of six years, or until such time as his successor has qualified. All vacancies created by death, resignation or otherwise, shall be filled by the governor for the unexpired term. The members of the Louisiana State Board of Accountants, the first board excepted, shall be appointed from the holders of certificates issued under and by virtue of this act. Within thirty (30) days after their appointment, the members of said board shall take an oath, before any person authorized to administer oaths in this state, to faithfully and impartially perform their duties, and same shall be filed with the secretary of state.

SEC. 3. Be it further enacted, etc., That the Louisiana State Board of Accountants is hereby authorized and empowered to adopt and enforce all necessary rules, regulations, by-laws, etc., to govern its proceedings, and to regulate the mode of conducting examinations, to be held under this act, provided said examinations shall be held at least once a year. The examinations shall cover a knowledge of the "Theory of Accounts," "Practical Accounting," "Auditing," "Commercial Law as Affecting Accountancy," and such other branches of knowledge as the board may deem necessary to maintain the highest standard of proficiency in the pro-

fession of public accounting. The Board shall have power to issue certificates under their official seal and signatures as provided by this act.

SEC. 4. Be it further enacted, etc., That the Louisiana State Board of Accountants shall be authorized to charge each applicant for a certificate a fee not to exceed twenty-five dollars ($25), same to be paid when the application is filed, except that the fee for each application filed within ninety (90) days after the passage of this act, shall not exceed ten dollars ($10). Out of the funds collected under this act shall be paid the expenses of the Louisiana State Board of Accountants, including mileage, and an amount not exceeding fifteen dollars ($15) per day, for the time expended in conducting examinations and issuing certificates, provided, no expenses incurred by said Board shall ever be charged to the funds of the state.

SEC. 5. Be it further enacted, etc., That the Louisiana State Board of Accountants, may in its discretion, register the certificates of any certified public accountant, who is the lawful holder of a certified public accountant's certificate issued under the law of another state, and may issue to such certified public accountant a certificate which shall entitle the holder to practice as such certified public accountant, and to use the abbreviation "C. P. A." in this state provided, that the state issuing the original certificate grants similar privileges to the certified public accountants of this state. The fee for such registration shall not exceed twenty-five dollars ($25).

SEC. 6. Be it further enacted, etc., That the Louisiana State Board of Accountants shall waive the examination of any person possessing the qualifications mentioned in Section 1 of this act; first, for not less than five years has been actively employed as an accountant or bookkeeper, who shall apply in writing to the board for such certificate, provided, that said application be accompanied by an affidavit before any notary public or justice of the peace, giving the name or names of the firms or corporations by whom he has been employed for the past five years, and provided said application be filed within ninety (90) days after the passage of this act, or who, second, for more than three consecutive years before the passage of this act shall have been practicing in this state, on his own account, as a public accountant, and who shall apply in writing to the board for such certificate within ninety (90) days after the passage of this act.

SEC. 7. Be it further enacted, etc., That the Louisiana State Board of Accountants may revoke any certificate issued under this act, or may cancel the registration of any certificate registered under this act, for the unprofessional conduct of the holder of such certificate, or for other cause, provided, that written notice shall have been mailed to the holder of such certificate twenty (20) days before any hearing thereon, stating the cause for such contemplated action and appointing a day for full hearing thereon by the Louisiana State Board of Accountants, and pro-

vided further, that no certificates issued under this act shall be revoked until such hearing shall have been held.

SEC. 8. Be it further enacted, etc., That if any person shall represent himself to the public as having a certificate as provided in this act, or shall assume to practice as a certified public accountant, or use the abbreviation "C. P. A." or any similar words or letters to indicate that the person using the same is a certified public accountant, without having received a registration certificate, as provided in this act, or if any person having received a certificate as provided in this act, and having thereafter lost such certificate by revocation, as provided in Section 7, shall continue to practice as a certified public accountant, he shall be deemed guilty of a misdemeanor and upon conviction thereon shall be fined not less than one hundred dollars ($100) or sentenced to serve three (3) months in jail for each offense.

SEC. 9. Be it further enacted, etc., That all laws or parts of laws in conflict with the same are hereby repealed.

STATE OF OHIO.

Approved by the Governor, May 9th, 1908.

AN ACT TO ESTABLISH AN OHIO STATE BOARD OF ACCOUNTANCY FOR THE REGULATION OF THE PRACTICE OF THE PROFESSION OF PUBLIC ACCOUNTANCY.

Be it enacted by the general assembly of the State of Ohio:

SECTION 1. That any citizen of the United States or person who has duly declared his intention of becoming such citizen, being over the age of twenty-one years, of good moral character, a graduate of a high school, or having received an equivalent education, who has at least three years' experience in the practice of accounting, and who shall have received from the state board of accountancy, as hereinafter provided, a certificate of his qualifications to practice as a public expert accountant, shall be styled and known as a certified public accountant, and no other person or persons shall assume such title or use the abbreviation "C. P. A." or any other word or letters to indicate that the person using the same is a certified public accountant.

SEC. 2. On or before the first day of July, one thousand nine hundred and eight, the governor shall appoint three persons, not more than two of whom shall belong to the same political party, to constitute and serve as a state board of accountancy. The members of such board shall be persons skilled in the knowledge and practice of accounting and actively engaged as professional public accountants, within the State of Ohio. One member of such board shall be appointed for one year, one member for two years, and one member for three years, and upon the expiration

of their respective terms their successors shall be appointed for a term of three years. In case of a vacancy, caused by resignation or otherwise the governor shall fill such vacancy by appointment for the unexpired term. Immediately upon the appointment the Board shall organize by choosing one of its number as president and one as a secretary, and treasurer. The secretary and treasurer shall give bond in such sum as the board may determine. The board shall keep a complete record of all its proceedings.

SEC. 3. An examination in "Theory of Accounts," "Practical Accounting," "Auditing," and "Commercial Law as Affecting Accountancy," for applicants for such certificates, shall be held annually, but, if not less than five months after the annual examination, three or more persons apply to the board for certificates, the board shall hold an examination for such applicants. The time and place of each examination shall be fixed by the board.

SEC. 4. The board shall charge for the examination and certificate provided for in this act, a fee of twenty-five dollars. Such fee shall be paid to the treasurer of the board at the time of filing the application. In no case shall the examination fee be refunded, but an applicant may be re-examined within eighteen months from the date of his application without the payment of an additional fee. From the fees collected as herein provided, the Board shall pay all expenses incident to such examinations, the expenses of preparing and issuing certificates, and to each member of the board, for the time actually expended in performing his duties, a sum not exceeding five dollars per day, and his necessary traveling expenses. But in no case shall the expenses incurred by the board or the compensation or traveling expense of the members thereof, be a charge against any fund of the state.

SEC. 5. Any person who files his application within six months after the organization of the board, and is at the time of filing such application a public accountant, and has practiced the profession of Public Accounting for at least three years, shall file with his application proof of such facts and proof that his general and special education is at least equal to the standard prescribed by this act. If the board shall be satisfied that the statements contained in such application and proofs are true and that the applicant possesses the general and special education required by the standard herein prescribed, it shall issue to the applicant a certificate as a certified public accountant without further examination.

SEC. 6. Any person who is a citizen of the United States or has declared his intention of becoming such citizen, over twenty-one (21) years of age, of good moral character, and who has complied with the rules and regulations of the Board and who holds a valid and unrevoked certificate of another state, or of the United States, or of the District of Columbia, or any territory of the United States, or by or under the authority of a foreign nation, when the board shall be satisfied that their standards and requirements for a certificate as a certified public accountant are sub-

stantially equivalent to those established by this act, shall receive from the board a certificate as a "Certified Public Accountant," and such person may thereafter practice as a "Certified Public Accountant," and assume and use the name, title, and style of certified public accountant, or any abbreviation or abbreviations thereof, in the State of Ohio.

SEC. 7. The State Board of Accountancy may revoke any certificate issued under this act for sufficient cause, provided, that written notice shall have been mailed to the holder of such certificate at his last known address at least twenty days before any hearing thereon, stating the cause of such contemplated action, and appointing a time for a hearing thereon by the board and provided, further, that no certificate issued under this act shall be revoked until such hearing shall have been held.

SEC. 8. If any person shall represent himself as having received a certificate as provided in this act, or shall practice as a certified public accountant or use the abbreviations "C. P. A." or any other similar words or letters to indicate that the person using the same is qualified to practice in this state as a certified public accountant without having received such certificate as provided for by this act, or if any person having received a certificate as provided in this act, and having thereafter lost such certificate by revocation as herein provided, shall continue to practice as a public accountant, he shall be fined not less than ten dollars ($10.00) and not exceeding one hundred dollars ($100.00) for each offense.

SEC. 9. Nothing herein contained shall be construed so as to prevent any person from being employed as a public accountant within this state.

Draft of a Model C. P. A. Law to Regulate the Profession of Public Accounting.

(Under the State University Plan of Operation.)

Reported at the Columbus Meeting by the Committee on Legislation, John A. Cooper, of Illinois, Chairman.

SECTION I.

Be it enacted by the people of the state of ————————, represented in general assembly, that any person having received from the University of ———————— (a corporation organized and existing under the laws of this state hereinafter referred to as "the university") a certificate of his qualifications to practice as a public expert accountant, shall be known and styled as a "certified public accountant" and shall be entitled to use the initials "C. P. A." after his name, and no person who has not, nor any partnership all of the members of which have not received such certificates, and no corporation shall assume such title or the title "Certified Accountant" or "Chartered Accountant" or the letters "C. P. A." or "C. A." or any other words or letters or abbreviations tending to indicate that the person, firm or corporation using the same is a certified public accountant.

SECTION II.

The university shall determine the qualifications of persons applying for certificates under this act and shall make rules and regulations for the examination of the same, subject to the conditions herein prescribed. It shall appoint a board of examiners to consist of three persons each of whom shall be skilled in the practice of accounting and have been actively engaged therein on his own account in this state for a period of at least three years, to hold office for the term of three years and until their successors are appointed and qualified, except that of the examiners first to be appointed by the university under this act, one shall hold office for one year and one for two years. After the year 19— no person shall be appointed as a member of the board of examiners except he shall be a certified public accountant.

The examiners appointed under the provisions of this act shall be paid not to exceed ten dollars ($10.00) per day each for the time expended and also all necessary traveling expenses incurred in the performance of their duties under this act.

SECTION III.

No certificate as a certified public accountant shall be granted to any person other than a citizen of the United States or person who has in good faith duly declared his intention of becoming such citizen, who is

over the age of 21 years and of good moral character, and (except under the provisions of section IV. of his act) who shall have been certified to the university by the said board of examiners as having successfully passed an examination in "theory of accounts," "practical accounting," "auditing" and "commercial law as affecting accountancy," and in such other subjects as the university may deem advisable.

No person shall be permitted to take such examination unless he shall for a period of at least three years have been employed in the office of a public accountant as an assistant, or shall have been practicing as a public accountant on his own account, and who shall not at least three years prior to the date of said examination have successfully passed a preliminary examination in such subjects as may be prescribed by the university, touching his general education, qualification and fitness as an accountant, provided that the university may in its discretion waive the preliminary examination of any applicant who, in its opinion, has had a general education equivalent to that which may be prescribed by its rules and is otherwise qualified.

All examinations provided for herein shall be conducted by the board of examiners herein provided for. The time and place of holding examinations shall be duly advertised for not less than three consecutive days in some daily newspaper published in each of the places where the examinations are to be held, not less than thirty days prior to the date of each examination.

The examinations shall take place as often as may be necessary in the opinion of the university, but not less frequently than once each year.

The university may make all needful rules and regulations regarding the conduct of the examinations or their character or scope, the method and time of filing applications for examination and their form and contents, and all other rules and regulations necessary to carry into effect the purpose of this act.

SECTION IV.

The university upon the recommendation of the board of examiners may in its discretion waive the examination of, and issue a degree as certified public accountant to any person possessing the qualifications mentioned in section III, of this act, who

(1) is the holder of a "C. P. A." certificate issued under the laws of another state which extends similar privileges to certified public accountants of this state, provided the requirements for said degree in the state which has granted it to the applicant are, in the opinion of the board of examiners, equivalent to those herein provided.

(2) shall be the holder of a degree of certified public accountant or chartered accountant, or the equivalent thereof, issued in any foreign government, provided that the requirements for such degree are equivalent to those herein provided for the degree of certified public accountant.

(3) for more than three consecutive years next before the passage of this act shall have been practicing in this state on his own account as a

public accountant, and who shall apply in writing to the university for such certificate within six months after the passage of this act.

SECTION V.

The university may revoke any certificate issued under this act, or may cancel the registration of any certificate under this act for unprofessional conduct or other sufficient cause, provided that written notice of the cause for such contemplated action and the date of the hearing thereon by the university shall have been mailed to the holder of such certificate at least twenty days before such hearing. No certificate issued under this act shall be revoked until such hearing shall have been held.

SECTION VI.

The university shall charge for the examinations and certificates provided for in this act a fee of twenty-five dollars ($25.00) to meet the expenses of such examinations. This fee shall be payable by the applicant at the time of making his initial application. No additional fee shall be charged any applicant.

From the fees collected under this act the university shall pay all expenses incident to the examinations, the expenses of issuing certificates, traveling expenses of the examiners and their compensation while performing their duties under this act, provided that no expense incurred under this act, nor the compensation of the examiners, shall be a charge against the funds of the university or of this state.

SECTION VII.

If any person shall represent himself to the public as having a certificate provided for in this act, or shall assume to practice as a certified public accountant without having received such certificate, or if any person having received any certificate provided for in this act shall thereafter lose the same by revocation and continue to practice as a certified public accountant, or use such title or any other title mentioned in section I. of this act, or if any person shall violate any of the provisions of this act, he shall be deemed guilty of a misdemeanor and upon conviction thereof shall be fined in a sum not less than one hundred dollars ($100.00) nor more than five hundred dollars ($500.00) or imprisoned in the county jail for a period of not less than one month nor more than six months, or both, in the discretion of the court, for each day during which he shall so practice or violate any of the provisions of this act.

SECTION VIII

This act shall take effect ————————.

Draft of a Model C. P. A. Act to Create a State Board of Accountancy and to Prescribe its Powers and Duties, to Provide for the Examination of and Issuance of Certificates to Qualified Accountants, and to Provide a Penalty for Violation of this Act.

Reported at the Columbus Meeting by the Committee on Legislation, John A. Cooper, of Illinois, Chairman.

SECTION I.

Be it enacted by the people of the state of ————————, represented in general assembly, that any person who has received from the state board of accountancy a certificate of his qualifications to practice as a public expert accountant as hereinafter provided shall ke known and styled as a "certified public accountant," and no other person and no partnership all of the members of which have not received such certificate and no corporation shall assume such title or the title of "certified accountant" or "chartered accountant" or the abbreviations "C. P. A." or "C. A." or any other words, letters or abbreviations tending to indicate that the person, firm or corporation so using the same is a certified public accountant.

SECTION II.

There is hereby created a state board of accountancy to consist of three members to be appointed by the governor and who, with the exception of the members first to be appointed, shall be the holders of certificates issued under the provisions of this act and shall hold office for the term of three years and until their successors are appointed and qualified.

The members of the board first to be appointed shall be skilled in the practice of accounting and shall have been actively engaged therein on their own account within this state for a period of at least three years next preceding the passage of this act, and shall hold office, one for the term of three years, and one for the term of two years, and one for the term of one year. The term of office of each is to be designated by the governor in his appointment.

SECTION III.

No certificate as a certified public accountant shall be granted to any person other than a citizen of the United States or person who has in good faith duly declared his intention of becoming such citizen who is over the age of 21 years and of good moral character, and (except under the provisions of section IV. of this act) who shall have successfully passed an examination in "theory of accounts," "practical accounting," "auditing," and "commercial law as affecting accountancy," and in such other subjects as the board may deem advisable.

No person shall be permitted to take such examination unless he shall for a period of at least three years have been employed in the office of a

Public Accountant as an assistant, or shall have been practicing as a public accountant on his own account, and who shall not at least three years prior to the date of said examination have successfully passed a preliminary examination in such subjects as may be prescribed by the board touching his general education, qualifications and fitness as an accountant provided that the board may in its discretion waive the preliminary examination of any applicant who, in its opinion, has had a general education equivalent to that which may be prescribed by its rules and is otherwise qualified.

All examinations provided for herein shall be conducted by the board of accountancy herein provided for. The time and place of holding examinations shall be duly advertised for not less than three consecutive days in one daily newspaper published in each of the places where the examinations are to be held, not less than thirty days prior to the date of each examination.

The examination shall take place as often as may be necessary in the opinion of the board, but not less frequently than once each year.

The board may make all needful rules and regulations regarding the conduct of the examinations or their character or scope, the method and time of filing applications for examinations and their form and contents, and all other rules and regulations necessary to carry into effect the purpose of this act.

SECTION IV.

The state board of accountancy may in its discretion waive the examination of and issue a degree as certified public accountant to any person possessing the qualifications mentioned in section III. of this act, who

(1) is the holder of a "C. P. A." certificate issued under the laws of another State, which extends similar privileges to certified public accountants of this state, provided the requirements for said degree in the state which has granted it to the applicant are, in the opinion of the board of accountancy, equivalent to those herein provided.

(2) shall be the holder of a degree of certified public accountant or chartered accountant, or the equivalent thereof, issued in any foreign government, provided that the requirements for such degree are equivalent to those herein provided for the degree of certified public accountant.

(3) for more than three consecutive years next before the passage of this act shall have been practicing in this state on his own account as a public accountant, and who shall apply in writing to the board for such certificate within six months after the passage of this act.

SECTION V.

The state board of accountancy may revoke any certificate issued under this act, or may cancel the registration of any certificate under this act for unprofessional conduct or other sufficient cause, provided that written notice of the cause for such contemplated action and the date of

the hearing thereon by the board shall have been mailed to the holder of such certificate at least twenty days before such hearing. No certificate issued under this act shall be revoked until such hearing shall have been held. At all such hearings the attorney-general of this state or one of his assistants designated by him shall sit with said board with all the powers of a member thereof.

SECTION VI.

The state board of accountancy shall charge for the examinations and certificates provided for in this act a fee of twenty-five dollars ($25.00) to meet the expenses of such examinations. This fee shall be payable by the applicant at the time of making his initial application. No additional fee shall be charged any applicant.

From the fees collected under this act the board shall pay all expenses incident to the examinations, the expenses of issuing certificates, traveling expenses of the members of the board and their compensation while performing their duties under this act, provided that no expense incurred under this act nor the compensation of the members shall be a charge against the funds of this state.

The members of the board of accountancy herein provided for shall be paid an amount not exceeding ten dollars ($10.00) per day to each member of said board for the time actually expended and also all necessary traveling expenses incurred in the performance of his duties under this act.

The board shall annually report the number of certificates issued and the receipts and expenses under this act to the governor.

SECTION VII.

If any person shall represent himself to the public as having a certificate provided for in this act, or shall assume to practice as a certified public accountant without having received such certificate, or if any person having received such certificate provided for in this act shall thereafter lose the same by revocation and continue to practice as a certified public accountant, or use such title or any other title mentioned in section I. of this act, or if any person shall violate any of the provisions of this act, he shall be deemed guilty of a misdemeanor and upon conviction thereof shall be fined in a sum not less than one hundred dollars ($100.00) or more than five hundred dollars ($500.00), or imprisoned in the county jail for a period of not less than one month nor more than six months, or both, in the discretion of the court for each day during which he shall so practice or violate any of the provisions of this act.

SECTION VIII.

This act shall take effect ————————.

N.B.—Drafts of suitable forms for a constitution and by-laws of a state society of certified public accountants, and of a state society of public accountants (not certified), were also reported by the committee on legislation.

Constitution and By-Laws

OF

The American Association of Public Accountants.

HASKINS & SELLS'

CONSTITUTION AND BY-LAWS
OF
The American Association of Public Accountants

[As amended at the Annual Meeting at St. Paul, Minn., October, 1907]

Order of Sequence of Constitution.

ARTICLE I. Name and objects—the latter defined in seven subdivisions.

ART. II. Members—their election and admission. Defines the "fellows" and "associates" and distinguishes "fellows-at-large" and "society fellows," respectively.

This article sets forth of what the membership of the association shall be composed, and how admitted.

ART. III. Is a declaration of principles with regard to the purpose of the association towards state or district societies.

ART. IV. Provides what the officers of the association shall be, the number of trustees, and the several Committees to be appointed.

ART. V. Election of officers and trustees, when and for what period.

ART. VI. Describes seal of association.

ART. VII. Certificates of membership to be provided.

ART. VIII. Procedure as to amending constitution or by-laws.

ART. IX. *In re* repeal of old laws and taking effect of new.

Order of Sequence of By-Laws.

ARTICLE I. Duties of officers, trustees, and committees defined.

ART. II. Meetings of the association, when to be held; the board of trustees; of committees, and what constitutes quorum thereof.

ART. III. Provides for representation at meetings of the association by society members and members-at-large, respectively.

ART. IV. Order of business at association meetings and trustee meetings, respectively.

ART. V. Provides how officers, auditors, and trustees shall be nominated and elected.

ART. VI. Initiation fees and dues, respective sums and when payable.

ART. VII. Professional ethics.

ART. VIII. Trial board.

ART. IX. Rules of order.

BASKINS & SELLS

Constitution.

ARTICLE I.

NAME.

SECTION 1. The name of the association shall be "The American Association of Public Accountants."

OBJECTS.

SEC. 2. The objects of the association are:

a. The elevation of the profession of public accountant.

b. To unite in one organization the public accountants practicing in the United States and those who may hereafter enter into the profession and practice of public accountant.

c. To bring into communication with one another the several societies of public accountants organized or that may be organized under the laws of the several states of the United States.

d. To encourage the formation of state and district societies of public accountants in states or districts where such societies do not exist.

e. To encourage and aid in the procuring of state "certified public accountant" legislation on lines as nearly uniform as the various constitutions of the several states will admit.

f. To spread and to urge upon its constituent societies the importance of spreading a knowledge and recognition of the utility and necessity of the *public accountant* in the industrial and financial development of the country.

g. To further generally the interests of the profession of public accountant.

ARTICLE II.

MEMBERS—THEIR ELECTION AND ADMISSION.

SECTION 1. The membership of this association shall consist of two classes—fellows and associates.

SEC. 2. *a.* The *fellows* shall consist of accountants in states or districts where no certified public accountant laws have been enacted, who have been in continuous practice on their own account in states or districts where no certified public accountant laws have been enacted for at least three years immediately preceding to their application for admission to membership in this association, and who can subscribe to the rules and regulations prescribed by the board of trustees, and who shall be citizens of the United States or have duly declared their intention to become such.

SEC. 2. *b.* Accountants who have obtained and hold a C. P. A. certificate duly issued to them by any state or territory, who have been in continuous practice on their own account for at least three years prior to their application for admission to membership, or who, while not in practice on their own account, have served in the office of a public accountant in practice for three years immediately previous to their application for membership and are still so in service or practicing.

c. Members of state or district societies of public accountants admitted to membership in this association in accordance with the provisions of section 9 of this article; provided, however, that such members can individually qualify as *fellows* according to the requirements defined in preceding sub-divisions *"a" and "b."*

SEC. 3. *a.* The *associates* shall consist of those who are certified as "junior accountants" by any state or territory.

b. Those who are associates of or clerks in the regular employ of any member of this association or of any practicing public accountant.

c. Persons engaged in practice as public accountants on their own account for a less term than three years previous to their application for membership in this association.

SEC. 4. The fellows shall be distinguished as fellows-at-large and society fellows respectively:

a. Fellows-at-large being those

1. Who are fellows at the date of the adoption of this constitution and by-laws.

2. All those who may hereafter be admitted as fellows-at-large of the association.

b. Society fellows, being those *fellows* who are members of the association by virtue of their membership in the state or district societies admitted to this association.

MEMBERS-AT-LARGE.

SEC. 5. The admission and election of members-at-large (other than honorary) shall be determined by the board of trustees. They may in their absolute discretion by resolution passed by a majority of the members present and voting refuse to admit or elect any person to either degree of membership, fellow or associate, whom they may deem unfit and nusuitable, or suspend for future consideration any application for admission for such time as they may deem desirable; they may readmit to membership any person who has ceased to be a member of the association by resignation, provided satisfactory causes for such resignation and readmission be submitted to them.

SEC. 6. Every person on his admission or election as a member-at-large of the association shall pay an entrance fee as hereinafter provided to the board of trustees, and until payment thereof he shall not be entitled to become or be a fellow or associate-at-large of the asso-

ciation, and failure to pay the same within one month after notice given him by mail shall nullify his admission and election, and his right to become a member shall cease.

SEC. 7. Applicants for membership at large who are subject to rule as laid down in article II, section 14, shall be governed accordingly. The application of all other persons desirous of becoming members-at-large of this association must contain evidence satisfactory to the trustees that the applicant is not eligible to membership in any state or district society affiliated with this association, and to which the applicant should properly belong, and must be approved in writing by a majority of the committee on examinations, qualifications, and elections. The applicant may then be admitted by a majority vote of the board of trustees taken either at a meeting thereof or by correspondence.

SOCIETY MEMBERS.

SEC. 8. The entire membership of a state or district society consisting only of certified public accountants, and the entire membership of similar societies consisting of public accountants who do not hold C. P. A. certificates, may, on the respective applications of such societies, be admitted to this association as a whole body, by a two-thirds vote of those present at any meeting of the board of trustees of this association, and the individual members of such society, by such admission, shall become either *fellows* or *associates* of this association as they may be eligible, provided, however, that such members can individually qualify as fellows or associates in accordance with the provisions of sections 2 and 3 of this article, and further provided that in states or districts where a certified public accountant law has been enacted only such persons as hold C. P. A. certificates shall be entitled to membership as fellows in this association.

SEC. 9. The entire membership of existing societies, members or former members of the Federation of Societies of Public Accountants in the United States of America, shall become fellows or associates of this association, according to their status in the respective societies, upon receipt of an application to become such from the secretary of any such society within twelve months from the date when these constitution and by-laws become effective.

SEC. 10. Each state or district society shall be responsible for the annual dues of its members to this association, which annual dues shall be payable as hereinafter provided in article VI of the by-laws of this association.

SEC. 11. Upon the admission to membership of any fellow or associate to any state or district society which has been admitted to this association, as provided in section 9 of this article, such member or members shall, upon notification by the secretary of such society to the secretary of this association of their election to such membership, become fellows or associates of this association, subject to the provisions of

sections 2 and 3 of this article. Such memberhip as fellows or associates of this association as thus obtained ceases, when the said member shall cease to be a member of the state or district society through which he acquired it.

SEC. 12. All applications for membership as fellows or associates of this association, or notification of such as provided in preceding section 11, must be made through the respective state or district societies which are members of this association in all cases where there are such societies, and no one practicing in a state or district where such a society exists shall be admitted unless he is a member of said state or district society excepting as provided under section 13.

SEC. 13. Application for membership, as a fellow or associate-at-large in this association made by a person resident of a state or district where a state or district society is established and of which society said applicant is not a member, shall be submitted to such state or district society for approval and report thereon as to the professional standing and character of the applicant. In the event of said state or district society withholding its approval it shall require the affirmative vote of three-fourths of all members of the board of trustees to elect such applicant to membership.

HONORARY MEMBERSHIP.

SEC. 14. The association, by unanimous vote of the members present at any regular or special meeting, on nomination by the board of trusstees, may confer honorary membership on any person or persons who by their standing and celebrity in the community at large may be considered as entitled to receive such an honor.

ARTICLE III.

STATE OR DISTRICT SOCIETIES.

SECTION 1. The objects of this association shall be in no manner whatsoever to regulate or interfere with the management, government, or organization of any of the state or district societies belonging to it, except as to the proper observance of this constitution and by-laws relating to the election of delegates and alternates from such societies to the regular or special meetings of this association, to the payment of annual dues by such societies to this association, and as to the procedure governing the consideration of proposed amendments to the constitution or by-laws of this association or to any matter that may require to be brought before a regular or special meeting thereof.

ARTICLE IV.

OFFICERS, TRUSTEES, AND COMMITTEES.

SECTION 1. The officers of the association shall be as follows:

A president.

Vice-presidents.—Vice-presidents shall be the presidents of the respective state or district societies which are members of The American Association of Public Accountants, or such other member as a state or district society may select as a vice-president of this association, except, however, that the president or other nominee of such society at the date of the annual meeting shall serve as a vice-president of the association until the succeeding annual meeting, provided the said officer shall continue a member in good standing in such society.

A secretary; and

A treasurer, all of whom shall be fellows of this association; and

Two auditors, who shall be fellows or associates of this association, but not members of its board of trustees.

SEC. 2. Not more than one officer—exclusive of vice-presidents—shall be selected from among the members of any one state or district society or from among the members-at-large, unless otherwise determined by a two-thirds vote at any meeting of the association.

TRUSTEES.

SEC. 3. *a.* The board of trustees shall be composed of the president, vice-presidents, secretary, and treasurer, and *nine* other members who shall be fellows of the association.

b. No more than three members of the board of trustees, exclusive of the president, vice-presidents, secretary, and treasurer, shall be selected from members of the same state or district society or from among the members-at-large, provided that any member nominated by a society not having its full representation on the board shall not be disqualified by reason of such nominee being a member of a society which is fully represented.

COMMITTEES.

SEC. 4. There shall be eight regular standing committees, viz.:

An executive committee; committee on examinations, qualifications, and elections to membership; committee on by-laws; committee on meetings, lectures, library, and bulletins; committee on legislation; committee on journal; committee on review of appropriations-budget; and committee on arbitration. These committees shall be appointed annually by the president, except in the case of the executive committee, which shall be appointed by the board of trustees, as is hereinafter provided.

SEC. 5. Each committee shall consist of three fellows of this association; except the executive committee, which shall be composed as provided for in section 8, article 1, of the by-laws, and the committee on meetings, lectures, library, and bulletins, which shall consist of such a number as may from time to time be decided by the board of trustees. A majority of each committee shall constitute a quorum thereof, other than the committee on meetings, lectures, library, and bulletins, for which three shall be a quorum.

SEC. 6. The President shall be *ex officio* a member of all committees.

ARTICLE V.

ELECTION OF OFFICERS AND TRUSTEES.

SECTION 1. Officers and trustees shall be elected at the annual meeting. They shall hold office until the next succeeding annual meeting, except as otherwise provided in article V, section 2, of the by-laws, or until their successors are chosen. In case of vacancy of office, the board of trustees shall have the power to fill the same until the next annual meeting. All elections shall be conducted as hereinafter provided in the by-laws of this association.

ARTICLE VI.

SEAL.

SECTION 1. The corporate seal of the association shall be circular in form, having displayed in its center an eagle, upon its breast a shield, its talons resting upon a riband containing the motto or inscription "Custos fidelitatis," the riband covering a bunch of arrows and branch of tree on each side respectively and beneath the eagle's talons. Beneath the inner rim and above the eagle's head, a balance. Inside the rim, the inscription, "The American Association of Public Accountants, 1887."

ARTICLE VII.

CERTIFICATES OF MEMBERSHIP.

SECTION 1. Upon admission to membership as a fellow or associate of The American Association of Public Accountants every member shall be entitled to a certificate of membership therein, and the members so receiving such certificates shall agree in writing prior to receipt of such certificate to the surrender of same to the association in the event of their withdrawal therefrom or their membership otherwise ceasing.

ARTICLE VIII.

AMENDMENTS.

SECTION 1. Alterations, additions or amendments to the constitution or by-laws of this association shall be made only at a regular meeting thereof and by a two-thirds vote of the members represented thereat. No proposition to alter, amend, or add shall be acted on unless written notice thereof has been given to the secretary at least ninety days prior to the meeting at which the same is to be submitted for action. A copy of any such proposition shall be embodied in the call for the next regular meeting and a copy sent direct to every member-at-large of this association and to the secretary of each affiliated society, *at least thirty days* before the date of such next regular meeting at which the proposition to alter, amend, or add is to be acted on, furnishing each such secretary with one copy of such notice for each and every member in the society.

ARTICLE IX.

REPEAL AND ADOPTION OF LAWS.

SECTION 1. All articles of constitution and by-laws and rules heretofore adopted are hereby repealed and annulled. These articles of Constitution and by-laws adopted at a meeting of The American Association of Public Accountants, held on the 10th day of January, 1905, shall take effect immediately, provided, however, that the first election of officers and trustees hereunder shall take place at the annual meeting in October, 1905.

By-Laws.

ARTICLE I.

PRESIDENT.

SECTION 1. It shall be the duty of the president to preside at all meetings and to enforce all laws and regulations relating to the administration of the association.

SEC. 2. He shall call metings of the association or board of trustees when he deems it necessary, or when requested so to do by the executive committee, or upon the written request of at least one-fourth of the constituent societies for a meeting of the association, or one-fourth of the trustees for a meeting of the board of trustees.

VICE-PRESIDENT.

SEC. 3. In the absence of the president, one of the vice-presidents named by the president, or, failing this, designated by the board of trustees, shall have all the powers and prerogatives of the president, provided that if the president be absent from the annual meeting of the association the chairman shall be appointed from the vice-presidents by the board of trustees.

CHAIRMAN PRO TEMPORE.

SEC. 4. In the event of the absence of the president and vice-presidents from any meetings of the association or board of trustees, one of the members present shall preside.

SECRETARY.

SEC. 5. *a*. All resolutions and proceedings of meetings, whether of the association or of the board of trustees, or of any committee thereof, shall be entered in proper books by the secretary, and the minutes of all such meetings shall be sufficient and conclusive evidence of the facts therein stated. The secretary shall conduct all correspondence relating to the association, shall issue all notices of meetings, shall have charge of the seal, and perform all duties pertaining to the office of secretary. The secretary shall keep a register of the members of the association, which shall contain their business addresses. He shall supervise the annual

issue of a Year Book containing the details of important association events of the preceding year. The cost of said year book shall form an item of the budget to be presented at each meeting of the association.

SEC. 5. *b.* It shall be the duty of the secretary at all seasonable opportunities to advocate the cause of the profession generally, to initiate correspondence in promotion of the aims of the association, and to make full reports of each feature considered or acted upon by him to the executive committee at their meetings.

TREASURER.

SEC. 6. All moneys payable to the association shall be paid to the treasurer of the association and by him deposited in a bank designated by the board of trustees, and all moneys payable by the association shall be paid by checks signed by the treasurer; provided, however, that nothing herein contained shall prevent the board of trustees from placing in the hands of the treasurer or other officer such sums as may be necessary to meet salaries and pay current expenses. The treasurer shall be required to give a bond satisfactory to the trustees.

AUDITORS.

SEC. 7. The accounts of the association shall be audited by the auditors, and their report shall be made at the annual meeting. The annual accounts shall be delivered to the auditors at least three days before each annual meeting, and their report thereon shall be filed with the board of trustees before the date of such meeting.

BOARD OF TRUSTEES.

SEC. 8. It shall be their duty to take charge, control, and management of all the property, real and personal, belonging to the association. They shall keep a record of their proceedings, and make a report thereof in writing to the association at the annual meeting.

Generally the board of trustees shall exercise all powers requisite for the purposes of the association as hereinbefore or hereinafter described, and possess such other powers as provided for by statute.

The board of trustees shall appoint an executive committee consisting of the president of the association as chairman of said committee, the secretary, and treasurer of the association, and four other members of the board of trustees, to whom the board may delegate such of its powers as it may determine, except (*a*) the election of new members; (*b*) the selection of the depository and appropriation of funds; (*c*) filling a vacancy caused by the death, disability, or resignation of any officer or member of the board of trustees; (*d*) suspension of an affiliated society or a member for any cause whatsoever; (*e*) filling a vacancy on the executive committee.

The executive committee shall keep minutes of its proceedings and report such fully to the board of trustees at each meeting thereof. It

shall be their duty to supervise the finances of the association and audit all bills prior to the payment thereof.

SEC. 9. *a.* The office of a member of the board of trustees may be vacated by his absence from two consecutive meetings of the board, without good and sufficient reason satisfactory to the board of trustees.

SEC. 9. *b.* At each meeting of the association the board of trustees shall present a budget showing the amount of money required for the purposes of the association for a stated period.

No debts shall be contracted or money spent other than as specified in said budget or in excess of the sum provided for the stated purposes until such proposed expenditure or indebtedness has received the approval of at least three-fourths of all the members of the board of trustees.

COMMITTEE ON ELECTIONS, QUALIFICATIONS, AND EXAMINATIONS.

SEC. 10. It shall be their duty to inquire into the standing and character of each person proposed for membership, and to report the same at the next meeting of the board of trustees, unless excused by vote of said board, and no person shall be reported except by a majority of said committee.

COMMITTEE ON BY-LAWS.

SEC. 11. Every question involving the amendment, construction, or addition of or to any by-laws shall be referred to this committee.

COMMITTEE ON MEETINGS, LECTURES, LIBRARY, AND BULLETINS.

SEC. 12. This committee shall consider and act upon such matters as may be referred to it by the executive committee or board of trustees.

COMMITTEE ON LEGISLATION.

SEC. 13. The duties of the legislative committee shall be to assist affiliated societies in matters relating to state legislation affecting the profession, to support members against unjust attack where questions of professional principle are involved and, to consider such questions as may be referred to it by the executive committee or board of trustees.

The committee shall report to the board of trustees at each of its regular meetings the legislative situation as affecting the profession in each state of the union where matters of interest have arisen since the date of the previous report.

COMMITTEE ON JOURNAL.

SEC. 14. The duties of the committee on journal shall be to direct the policy of THE JOURNAL OF ACCOUNTANCY on behalf of The American Association of Public Accountants and in conjunction with the directors of The Accountancy Publishing Company.

COMMITTEE ON REVIEW OF APPROPRIATIONS-BUDGET.

SEC. 15. The duties of the committee on budget shall be to collect,

determine, and present amounts required by the various committees, officers, etc., for the disbursements necessary to the association and submit the same to the board of trustees for presentation to the meetings of the association.

COMMITTEE ON ARBITRATION.

SEC. 16. The duties of the committee on arbitration shall be:

I.

a. To investigate and arbitrate such difference of a professional character between members of this association as shall be referred to it by the board of trustees, executive committee, or by mutual consent of the parties thereto members of this association.

b. To report the findings thereon to the board of trustees and the parties to the arbitration, provided, however, that no reports to the trustees or executive committee shall be requisite if the findings of this committee be accepted by all of the parties in issue.

c. And in the event of the non-acceptance of the findings of this committee by any of the parties in issue, to prefer charges against such person or persons before the board of trustees sitting as a trial board.

II.

This committee shall organize by the selection of one of its members as secretary, who shall notify in writing at least thirty days in advance of any action such member or members of this association as may be affected by such investigation.

III.

Provided always that nothing herein contained shall operate to suspend the authority of state societies for the adjudication of disputes between members thereof.

ARTICLE II.

MEETINGS OF THE ASSOCIATION—REGULAR.

SECTION 1. The annual meeting of the association shall take place on the third Tuesday of October of each year. Notices of meeting shall be sent out not less than thirty days prior to such meeting direct to each member-at-large and to the membership of constituent societies through the respective secretaries thereof, stating the place, date, and time of such meeting.

ANNUAL MEETING.

SEC. 2. The annual meeting shall be held at such place in the United States as the members in annual meeting of the preceding year shall decide.

SPECIAL MEETINGS.

SEC. 3. Special meeting may be called in accordance with these by-laws, at which meetings no business other than that for which they were called shall be transacted. The place at which such meeting shall be held shall be determined by the executive committee.

Notices of such meetings shall be sent, not less than thirty days prior to each such meeting, direct to every member-at-large and to the membership of constituent societies through the respective secretaries thereof, stating the place and date of such meeting and the business to be transacted thereat.

SEC. 4. Copies of the minutes of each regular or special meeting shall be published in the next issue of THE JOURNAL OF ACCOUNTANCY.

BOARD OF TRUSTEES MEETINGS.

SEC. 5. *a.* There shall be two regular meetings of the board of trustees, to take place on the third Tuesday of April and October of each year. Other meetings may be called by the president. All meetings shall be held at such places as shall be determined by the executive committee.

Twenty-one clear days' notice of a meeting of the board of trustees shall be given to each member, mailed to him at his usual or last known address, and such notice shall, as far as possible, contain a statement of the business to be transacted at such meeting and the names of any candidates for admission to membership of the association.

Copies of the minutes of each such meeting shall be forwarded by the secretary within fifteen days thereafter to every member of the board of trustees.

SEC. 5. *b.* In lieu of calling a special meeting of the board of trustees the president may submit proposed resolutions to a vote of the board by correspondence, and any such resolution which is approved by not less than two-thirds of the whole membership of the board shall be declared by the president to be duly carried and shall be recorded on the minutes of the board. Provided, that whenever it is necessary for the trustees to sit on a trial board specific mention shall be made in said notice of the cause or causes requiring such session.

COMMITTEE MEETINGS.

SEC. 6. All committees shall be subject to the call of their respective chairmen.

QUORUM.

SEC. 7. A representation of a majority of the fellows of this association shall constitute a quorum authorized to transact any business duly presented at any meeting of the association.

Seven trustees shall constitute a quorum of the board of trustees; except when convened as a trial board, when a majority shall be necessary; a majority of any and all committees shall constitute a quorum of such committees.

ARTICLE III.

REPRESENTATION AT MEETINGS OF ASSOCIATION—SOCIETY DELEGATES.

SECTION 1. Once in each calendar year each state or district society shall elect delegates and alternates thereto from among the fellows of The American Association of Public Accountants to represent such society at the meetings of the association, and such delegates shall be entitled to cast a vote or votes, at each meeting of the association during the ensuing twelve months upon each question which shall properly be brought before any such meeting, representing in the aggregate the total number of society fellows of The American Association of Public Accountants who are entitled to representation in this association as are members of said state or district association on which dues are paid to the association. Provided, however, society fellows who are such through membership in more than one state or district society shall elect as to the society through which they desire representation, and they shall be entitled to representation for voting purposes, by one such society only. In the absence of instructions to the contrary, they shall be credited to the state or district of which they are residents or citizens. Each delegate present shall cast an equal proportion of the total vote of the society he represents unless otherwise directed by his society.

SEC. 2. Each state or district society which is a member of this association may, at a meeting duly called to consider any business which after due notice is to be acted on at a meeting of the association, direct its delegates to record at such meeting of the association the votes of its fellows *for* and *against* such resolution or amendment, cast either personally or by proxy at such meeting of the state or district society. In the discretion of each such society, its votes may be cast otherwise in such manner as each state or district society may determine.

SEC. 3. Each society fellow who is a member of more than one of the constituent societies shall notify in writing the secretaries of such societies as to which one he elects to represent him for voting purposes. Such notification to be made at or about the time of the annual meeting of the state societies involved and to be subject to renewal or revocation at the next succeeding annual election. No state or district society other than the one so elected shall be assessed for said member.

SEC. 4. Each state or district society may determine as to the number of its delegates to this association, not to exceed, however, one delegate for every ten fellows, and provided that at least ten days prior to every meeting of the association the secretary of each state or district society shall be required to furnish a properly attested certificate of the names of the delegates and alternates thereto who have been duly elected to represent such society, and also to state thereon the number of fellows members of such society who are entitled to representation in this association.

MEMBERS-AT-LARGE.

SEC. 5. Each fellow-at-large, who was a member of this association

at the date of the passage of these laws, shall be entitled to cast one vote, either personally or by duly authorized proxy, upon each question which shall properly be brought before any meeting of the association, and for the election of officers thereof. If, however, he elects to so vote he shall not be entitled to representation for voting purposes as a society member, and no state or district society shall be assessed by the association on account of his membership in said state or district societies.

SEC. 6. Fellows-at-large who may be admitted to membership after the passage of these laws shall not be entitled to a vote until such time as their numbers reach ten, when they shall be required, once in each calendar year, to form themselves into an assembly or group for the purpose of obtaining representation at the meetings of the association; and for such purpose they shall select, from among their number, a delegate or delegates and alternates, not to exceed, however, one delegate for every ten such fellows-at-large, who shall be entitled to cast a vote or votes pursuant to the provisions of section 1 of this article. The notice to the secretary of the association of the election of such delegates and alternates and the principle on which votes shall be recorded shall be in accordance with the procedure defined in sections 2 and 3 of this article.

ASSOCIATE MEMBERS.

SEC. 7. Associate members shall not be entitled to any vote.

MEMBERS MAY ATTEND MEETINGS.

SEC. 8. All members of the association may attend all meetings and take part in the proceedings thereof, but voting shall only be in accordance with the provisions of this article.

ARTICLE IV.

ORDER OF BUSINESS.

SECTION 1. The order of business at a regular meeting shall be as follows:

1. Roll call.
2. Confirmation of minutes of preceding meeting.
3. Reading of communications and motions relative thereto.
4. Reports of officers.
5. Unfinished business laid over from previous meetings.
6. Reports of standing committees.
7. Reports of special committees.
8. Election of officers and trustees.
9. New business—motions and resolutions.

SEC. 2. The order of business at a meeting of the board of trustees shall be as follows:

1. Roll call.
2. Confirmation of minutes of preceding meeting.
3. Reading of communications and motions relative thereto.

4. Reports of officers.
5. Unfinished business laid over from previous meetings.
6. Reports of standing committees.
7. Reports of specal committees.
8. Election of members, and nomination and election of officers to fill vacancies.
9. New business—motions and resolutions.

ARTICLE V.

NOMINATION AND ELECTION OF OFFICERS.

SECTION 1. Nominations shall be made at the annual meeting of the association by any society delegate or fellow-at-large for each of the following officers, viz.:

President,
Secretary,
Treasurer,
Two auditors, and
Nine trustees,

except as otherwise provided in section 2.

SEC. 2. At the first election under these laws *three* of the nine trustees referred to in the preceding section shall be elected for one year each, three for two years each, and three of them for three years each. At every succeeding annual meeting thereafter three trustees shall be elected for a term of three years each. These elections to be in conformity with the provisions of sub-division *b* of section 3, article IV, of the constitution of this association.

SEC. 3. Election shall be by ballot. A chairman and two tellers shall be appointed to receive the ballots for each officer, trustee, and auditor. They shall canvass the ballots so cast and announce the result to the presiding officer, who thereupon shall declare the members receiving the majority of the votes cast elected to the respective offices.

SEC. 4. In case of no choice on the first ballot for any one or more officers, trustees, or auditors, a new election shall take place at once for the particular case or cases in which there had been no choice, until a choice be made.

ARTICLE VI.

INITIATION FEES AND DUES.

SECTION 1. The following shall be the initiation fees:

a. By a fellow-at-large on admission, without becoming an associate, $25.00.

b. By an associate-at-large on becoming a fellow, $15.00.

c. By an associate-at-large on admission, $10.00.

SEC. 2. No initiation or admission fees shall be exacted from state or district societies in respect to members joining the association through such societies as provided in article II of the constitution of this association.

SEC. 3. The following shall be the dues for each fiscal year ending September 30.

By each fellow at-large, $10.00.
By each associate-at-large, $5.00.
By each society fellow, $5.00.
By each society associate, $2.50.

SEC. 4. Such dues shall be due and payable annually in advance on October 1 of each year, or at the date of a member's election or admission to membership; and until such payment thereof, no certificate of membership shall be issued. Such dues shall be apportioned in the first instance to the end of the fiscal year, namely, September 30.

SEC. 5. No affiliated society or member-at-large of the association shall be permitted to vote or be entitled to representation at any meeting thereof when dues are sixty days in arrears.

ARTICLE VII.

PROFESSIONAL ETHICS.

The following are declared to be the fundamental rules of the association: for (*a*) the infraction of any part thereof, or if (*b*) convicted of felony or misdemeanor, or if (*c*) finally declared by a court of competent jurisdiction to have committed any fraud, or if (*d*) held by the board of trustees on the written complaint of any person aggrieved, whether a member or not, to have been guilty of any act or default discreditable to the profession, or if (*e*) declared by any competent court or commission to be insane or otherwise incompetent, or (*f*) fails to pay any subscription, dues, assessment, or other sum owed by him to the association under its by-laws within three months after such debt has become due:

A member renders himself liable to be expelled from the association or to be suspended for a term not exceeding two years by resolution of the board of trustees sitting as a trial board.

RULES.

1. No member shall allow any person not being either a member of the association or in partnership with him as a public accountant, or in his employ on a salary, to practice in his name as a public accountant.

2. No member shall directly or indirectly allow or agree to allow a commission, brokerage, or other participation by the laity in the fees or profits of his (member's professional work).

3. No member shall engage in any business or occupation conjointly with that of a public accountant, which in the opinion of the board of trustees is incompatible or inconsistent therewith.

4. No member shall certify to exhibits, statements, schedules, or other form of accountancy work, the preparation of which was not carried on entirely under the supervision of himself, a member of his firm, one of his staff, a member of this association or of similar association of good standing in foreign countries.

5. No member shall in his business advertisements use any initials as an affix to his name that is not either authorized by statutory enactment of this country or by the well-known associations established for a similar purpose in the British Empire, nor shall he affiliate or substantially recognize any society that is designated or in any way sets itself out to be a so-called certified public accountant society, without the state in which such society is organized having the requisite statutory enactment in full force and effect.

ARTICLE VIII.

TRIAL BOARD.

SECTION 1. For the purpose of adjudicating upon complaints or charges against members of the association as provided in article VII the board of trustees shall convene as a trial board.

SEC. 2. Due notice shall be mailed to the parties to the cause by the secretary at least thirty days prior to the proposed session.

SEC. 3. A three-fourths vote of those trustees present shall be necessary to a decision.

SEC. 4. The board of trustees (sitting as a trial board) may in the exercise of their discretion recall, rescind, or modify any resolution for expulsion or suspension at a meeting similarly called and convened by a like majority vote as required in section 3 of this article, provided that not less than three-fourths of the members constituting such board shall have been of the board that issued the decree then being reconsidered.

SEC. 5. Written notice of any resolution for expulsion or suspension shall forthwith be sent to the member affected thereby and to the secretary or secretaries of the state or district society or societies with which such member is affiliated or in which state he has his domicile or place of business.

ARTICLE IX.

RULES OF ORDER.

SECTION 1. The rules of parliamentary procedure as laid down in "Robert's Rules of Order" shall govern all meeting of the association.

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